First Round

ESSENTIALS

MANAGEMENT

First Round

FIRST ROUND ESSENTIALS

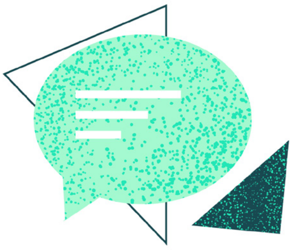
Management

Management isn't just about being someone's boss. It involves making decisions, scaling teams, setting the cultural tone, developing talent, and getting groups to work together and move quickly. You have to grow not just your ability to lead, but also your energy, your time management, and your own approach to work.

Whether you're transitioning from IC to manager for the first time, stepping into the manager-of-managers role, or struggling as a founder to shift from product building to company building, management requires a distinct set of skills. And it will likely be wholly new and different from whatever it was you were excelling at before, which can be disorienting and daunting, to say the least.

Given that a manager's journey can often feel like a lonely uphill climb in the dark, we've assembled the most essential advice from the Review canon to help light the path forward. As you look to settle into the manager's role and build larger and larger teams, this collection of articles will help you nail that transition.

From frameworks that will help you execute with momentum and give your team autonomy, to tactics for leading impactful career conversations and helping others navigate the rapidly changing cultural waters of a fast-growing startup, we've selected insightful interviews that highlight the habits, processes, and actions the best managers have used to grow themselves as leaders. We hope they do the same for you.



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TOOLS FOR

Leveling Up as a Leader

01.

WHAT'S AHEAD

The Principles of Quantum Team Management

While he was Head of Engineering at Instagram, **James Everingham** walked us through a different approach to management. In a novel application of quantum mechanics and Schrödinger's cat, he encourages the "quantum manager" to not insert herself in her team's projects — the equivalent of opening the box to observe the status of Schrödinger's cat — to allow as many possible paths to success as possible.

Jim Everingham at Instagram

I didn't intend to go into computer science, and I definitely didn't expect to become a manager. Instead, I started out thinking I'd be a laboratory scientist. In college, this led me to astronomy and physics, which prompted me to start writing software. And while these leaps felt intuitive, the subsequent shift into leading teams did not. In fact, I disliked my early engineering management job at Oracle so much that I took a less senior role at Netscape, just to start coding again.

But life is unpredictable. I discovered challenges at Netscape that were so important and interesting that I couldn't just stand by — I had to take the lead (which meant managing a team) and figure out how to do it in a way that made sense to me. **That's when it struck me that instead of approaching management like being a therapist (only with more process and politics to deal with), I could think of it from a problem-solving perspective.**

I started to design a management system the way I would design a machine or software system, with few dependencies, single owners, minimal decision points. Using this model, we immediately saw a jump in productivity, output, and happiness. Our ultimate email and news product, code-named Grendel, was the only piece of Netscape's massive Java rewrite that survived, and it remained a part of Mozilla's software for a decade.

Setting up your team the way you would set up a machine can give you a ton of leverage — as long as you realize how complicated and unpredictable the people in that machine can be. This is where quantum mechanics (and my term 'quantum leadership') comes into play. As a discipline, it makes the unpredictable understandable. Similarly, by applying these quantum principles to management, you can find solutions to your team's seemingly unsolvable problems.

MANAGING FOR UNIMAGINABLE OUTCOMES

There's a fundamental principle of quantum physics called 'superposition' that asserts: if the state of an object is unknown and unchecked, the object exists in all possible states simultaneously. The Nobel prize-winning physicist Erwin Schrödinger proposed a theoretical experiment in which a cat, a vial of hydrocyanic acid, and a small amount of a radioactive substance are placed together inside of a box. If a single atom of the substance decays during the test period, it causes the hammer to break the vial and kill the cat. As long as the box remains unopened, however, the experimenter won't know whether or not the sequence has been triggered. Thus, according to the principle of superposition, the cat exists as both dead and alive simultaneously until a measurement is taken — that is, until someone looks in the box.

Now, as someone who found it difficult to flip the cognitive switch from science to management, I understand that trying to map the implications of Schrödinger's theoretical experiment to the everyday challenges of running an engineering team might feel slippery at best, but bear with me.

If observation does in fact affect outcome, and engineers and their completed projects can exhibit the property of superposition, then the dependent variable in my amateur managerial experiment is the state of success or failure of those projects, and the independent variable is the presence or absence of my (or the manager's) observation.

> **Every team's project is a cat, and every manager has to constantly decide whether to look in the box at the risk of killing it.**

The observer effect is real in the workplace, and you can affect the outcome of any project as a manager simply by inserting yourself. Often, a manager will take their team into a room and say, "Here's what we need to do," or "Here's what I've been thinking," or "Here's one way we can think about this…" as they start sketching on a whiteboard. They're trying to add value. We always want to add value. But if you're in any position of authority and you do this, you've just limited the number of outcomes and your path to success pretty dramatically.

Instead, if you simply outline the problem and what success looks like — let's say it's increasing revenue by 100% — all paths to success are still possible, including those you haven't thought of yourself. It's very likely that someone on your team will think of a better solution, but as soon as you say what you think, everyone gets a whole lot less creative.

I used to make this mistake a lot when I was a junior manager. I would give my team ideas to get them started, and as soon as I thought they were headed toward failure or a dead end, I'd stop them and say something to turn them around. It seemed like it was in everyone's best interests to avoid the wrong solution, but a mentor of mine told me that my team would never get better if I didn't let them learn from failure.

When I finally loosened my grip and let things go, I realized that my ideas were actually only right half of the time. The other half, my team's ideas were far better than mine. I'd been an idiot for 10 years of my career, I realized.

> **Being a good manager is not about avoiding failure – it's about enabling as many different paths forward as possible for as long as possible.**

GETTING STARTED

Okay, so how do you actually do this? You should ask questions (Socrates style) designed to influence your people the least and keep options open. For example:

- **What are some other ways we might be able to increase revenue?**
- **Where are you running into roadblocks or friction?**
- **Is there another route to where we want to go?**

Let's say your goal is to increase revenue, and you're running into a roadblock where you can't get above a 2% clickthrough rate on an ad, for instance. You might ask: How much do we make per click? Why? The answer is probably, "That's just how it is." So then you could ask: What would it take for someone to pay more? Maybe the answer is more expensive inventory. Okay, then how do we make that happen?
If no one has any immediate ideas and all you're hearing is crickets, you have the option to open the box very slowly and carefully. You can drop a breadcrumb to lead the team to a next conclusion they can use as a jumping off point — a hint that doesn't give away what you think they should do. But the more breadcrumbs you drop, the narrower their thinking will become, so you have to be careful and thoughtful about what you reveal.

Having too many ideas in a room is an entirely different — and much better — problem. Still, it can stymie some teams. When this happens, ask questions about probability and make a matrix (one of the few times it's acceptable for you to whiteboard as a manager). What is the likelihood of success for each of the ideas proposed? Let your team discuss and stack rank proposals based on their probability of working. Groupthink will work to your advantage. Aggregate solutions are usually pretty good in these cases.

> **No matter what, whether there are too many ideas or too few, never supply your own opinion, judgment or ideas prematurely as a manager**

Jim Everingham at Instagram

THE 5 PRINCIPLES OF QUANTUM TEAM MANAGEMENT

To be successful quantum managers, we need to have vigilant awareness about our motivations for altering outcomes. Common motivations include: thinking your idea is the best, not trusting your people, or thinking you're not doing your job unless you're weighing in all the time. You actually want to follow a different set of instincts. Allow yourself to be motivated by: observable metrics going one direction or the other, your team being visibly frustrated with the rate of progress, or a deserved lack of trust.

If we sense a project going sideways, it might be worth looking in the box and consciously changing the outcome. On the other hand, if the state of a project is entirely unknown or we sense that it's going well, it's better to allow for an unpredictable outcome. We do this by following these five principles:

1. Manage to multiple "states" as opposed to singular outcomes.

The wisdom of traditional mechanical management teaches us to guide our team toward a single outcome, but such a tactic assumes that managers understand projects better than the team members working on them. An effective quantum manager will do everything in their power to organize teams strategically and then step back. By avoiding prescribed paths, agreeing to outcomes, and providing each team with equal parts space and guidance, quantum managers set up their team for infinite success.
Focus on increasing the number of "states of success" if you can. Your cat doesn't have to be either dead or alive. Your cat could be happy, not doing that well, or doing pretty poorly but still alive. These are all other outcomes. The more states of success you can

define, the more paths forward your team will see. Don't base success on one variable like revenue. Maybe one state is becoming profitable. Another might be getting a million people to use your product. It could be getting 100,000 people to use your product for one hour a day. Point out as many metrics of success as you can to give your team more milestones and momentum.

2. Be hyper-aware of the observer effect.

As we've already determined, observing a team will inherently change its state — a reality that can work for or against us. The art of quantum management lies in discovering methods for gathering information about the unobservable and preparing for all forms of success and failure while keeping the box closed. An effective quantum manager will resist super-"imposing" and instead ensure superposition.
By asking probing questions that challenge and change the way engineers think about a problem, we offer struggling teams a way to solve a seemingly unsolvable problem without potentially destroying the existing work that was already succeeding.

3. Know when to open the box.

Eventually all quantum managers will find themselves in a situation that leaves them no other choice but to open the box. Unfortunately, any predictions we make about the state of our cat will be wrong — unless we predict that it exists in a combination of any and every state simultaneously. In the case of a milestone plan, a team might be working so hard that they feel both exhilarated and exhausted at the same time. Hopefully, most well-oiled machines will achieve some degree of success, even in the worst case scenario.
If not, and the cat dies, any previous need to keep the box closed disappears, and managers must immediately understand as much as they can about what happened.

So, what's the tactic? Use the time you might have spent generating your own ideas for how to solve problems — or generally stressing your team out with micromanagement — to devise non-judgmental, thought-provoking questions. It takes time to construct these. A lot of managers freestyle it and jump right in but end up saying too much or falling back on their own opinions. Asking questions designed to empower and not instruct requires a lot of forethought. **Consider putting 10 minutes on your calendar before any meeting to think through which questions will be helpful and won't interfere with your team's ability to win.**

4. Understand and create strategic entanglements.

The theory of quantum entanglement — what Einstein referred to as "spooky action at a distance"--finds that basic particles can be linked together in such a way that when something happens to one, it also happens to the other. Since most of us don't have a particle collider, we can instead use quantum management to entangle and motivate positive traits on our teams, a strategy that accelerates progress, increases quality, and boosts morale. In short, if you put something positive in motion, generally more positive things will happen. Here are a few types of Quantum Management entanglements:

Accountability

Encourage an accountability entanglement by holding yourself to the same standards to which you hold your team; they'll mirror your behavior. It's human nature to mimic. People look for inspirational leaders. If you're rigorously accountable, your team becomes more accountable. Whatever you say you're going to do, just do it. You want to set up systems where you're creating behaviors tied to something in a spooky way. You see things organically unfold because you've changed your behavior. Also, you have to set up your machine so that someone CAN be accountable. I can't make someone guarantee delivery on something if it's dependent on someone else. Encourage people to be very clear about what they have to do and what they're going to do by being that way yourself first.

Empathy

Direct teams toward projects that will improve their day-to-day operations. The more your team interacts with their product, the more invested they'll be in the outcome. This tends to be easier if you're building consumer software, like at Instagram. I use Instagram, as does everyone on the team, so we feel the same pain as our users. But what if you're building some sort of enterprise system for long-distance truckers and you don't even drive? Look for even minor or tangential ways to empathize with your users. As an example, when I worked at LiveOps , we were building call center infrastructure. We looked to our own customer service department to get their feedback and pipe it back into our product development loop. Entangle yourself with your customers to understand what they're experiencing on a deeper level, why it needs to be better, and how you can improve it.

Good software is an act of empathy.

Incentive

Drive better results by linking your team's rewards to the success of the project, not just how they individually perform. Remember that rewards don't have to be monetary — global impact, visibility within the organization, career growth, or increased passion for the project can all incentivize engineers to perform better. A lot of managers forget how important their approval is. The bulk of your team is there and working as hard as they can to please you . That's just the way it is, so you have to let people know when you're pleased, when you're excited, when you're impressed. If you don't, and if your team doesn't get this type of reinforcement, you're literally limiting their potential.

Togetherness

Reduce stress, boost creativity and increase productivity by giving engineers the time and space to build camaraderie. Happier, compatible teams create long-lasting positive outcomes. I take my teams out to dinner and encourage them to go out together without me. I seat my teams together because proximity builds relationships. The more you know someone, the more you trust them. The more you trust the people you work with, the better the product you're going to build. Quantum managers encourage people to get to know each other on a personal level. They start meetings with people sharing about their lives, not just their work. They seed conversations about topics that are much more expansive than the task at hand so people truly get to know each other.

5. Embrace the challenge of self-observation.

As managers, it's difficult to recognize if we're using our quantum leadership techniques effectively because — like Schrödinger's cat — we exist in a state of success and failure simultaneously. Seeking constant feedback from those outside our quantum management box — like from our peers managing other segments of the business — allows us to stretch and grow without limiting our own outcomes.

QUANTUM MANAGEMENT APPLIED

In 2016, companies competing in any form of innovation can no longer pay employees for mindless, repetitive work. Employees have to create, to challenge, to think nimbly, to respond quickly, and to keep up in a rapidly changing environment. Yet, despite this transformation in the workforce, few organizations have invested in the development of corresponding management approaches, or have considered how traditional corporate infrastructure can negatively influence team dynamics.

Conventional wisdom tells us that it's the responsibility of bosses and managers to keep their team on course. But visible hierarchy tends to limit creativity. If no one knows each other's titles or levels of seniority, ideas speak for themselves.

> **As soon as a chain of authority is introduced, ideas no longer stand on their own merit.**

I've witnessed dozens of extremely intelligent leaders make the same mistake because some part of them believed the myth that managers know best. This mistake — and the meeting in which it's made — looks nearly identical across organizations, regardless of the problem being solved or the people trying to solve it. Almost always, this mistake is made during a crisis when the manager meets with his team to address it. Perhaps revenue has dropped significantly in a short period of time. The manager reiterates the dire need to drive it back up, then waits for his engineering team to respond. There is a moment of silence. The team is thinking.

Now, I can't say with certainty why what happens next happens next. Maybe the manager is absolutely terrified that no one has a viable solution, or maybe she genuinely wants feedback on her idea, but either way, the mistake inevitably follows. The manager steps up to the whiteboard and sketches out a solution to their engagement problem, and, just by virtue of her seniority and the power behind her suggestion, she effectively closes off the possibility of her team producing a superior solution. In essence, she (or he, of course) unwittingly kills the cat.

As a manager, I know this mistake intimately. I, too, have killed the cat many times. As a quantum manager, however, I also know the incredible rewards we reap when we resist the urge to prescribe a path, when we refuse to look in the box — even when we fear it's on fire and think we're the only one holding an extinguisher. I've found myself at this crossroads many times, most notably at my last startup, Luminate . Engagement had suddenly fallen off a cliff. At the time, I had plenty of reasons to think the box was on fire and enough experience working on engineering teams to believe that I could teach my team how to build an extinguisher.

As the founder of the company, I didn't want us to fail. As a human being, I wanted affirmation that my idea was a good one. As a quantum manager, I bit my tongue. Ultimately, I didn't engage in the brainstorming process because I knew my team would latch onto anything I offered. Instead, I just told them what winning would look like: a 300% increase in user engagement seemed like a lofty goal, but I pitched it anyways. A few days later, my team returned with a solution that I could never have imagined, and the results were stunning.

Though their strategy was remarkable from an engineer's perspective, what I learned from the exchange as a manager turned out to be even more valuable. By not offering my own idea, I enabled the creation of a better one. By not suggesting a destination, we all ended up somewhere extraordinary — a place I didn't even know we were going.

No cats were harmed in the making of this article.

WHAT'S AHEAD

The Pivotal Stories Every Startup Leader Should Be Able To Tell

Since starting his career as a U.S. Marine commanding platoons, **Don Faul** has led operations at Facebook, Pinterest and now performance sportswear maker Athos. But his secret to success is something decidedly un-operational: storytelling. Here are the stories he tells to rally big teams to do their best work.

At Facebook, Don Faul and his team faced one of the more goliath tasks anyone in tech has ever faced. It was his job, as VP of Online Operations, to ensure a good experience for the site's hundreds of millions of users — including responding to reports of abuse, flagged content, and other bad experiences. This boiled down to supporting his intrepid team members — sometimes spending entire days dealing with the toughest of human issues — to do their best work and stay motivated against overwhelming odds. The skill that made the critical difference: Being able to tell good stories.

It's not something that came naturally to him either. He had spent the first five years of his career as a Platoon Commander in the U.S. Marine Corps. — an environment that didn't exactly encourage emotional vulnerability. It was only through his work at Google and then especially Facebook where the importance of empathy and admitting failure took hold, and he poured hours of practice into relaying his experiences to inspire others.

"Whenever I meet with new leaders, I always talk about their responsibility to inspire people — to tap into that intrinsic motivation to be there and work hard," says Faul. "We're fortunate to work in an industry where meaningful work is getting done, and people badly want their work to be meaningful. Stories connect the two. It's the skill every leader needs to learn."

In this exclusive article, Faul shares the nuts and bolts tactics of influential storytelling he's learned at Google, Facebook and as **Head of Operations at Pinterest** (he's the first to admit he's still learning) — and the three types of stories every manager and startup founder should be able to tell fluently.

WHAT MAKES STARTUP STORIES WORK

No one will give you money or agree to work for you if you're bad at storytelling. Every pitch — whether it's to a VC or a sales prospect — is a story, and the best ones have compelling narrative arcs that connect listeners to a higher purpose, says Faul. Today, he's the COO of performance sportswear maker Athos, and this is critical to building the company every day. The number one factor for success: Enthusiasm

> **Can you raise the hair on the backs of people's arms? Inspiring confidence is all in your delivery.**

In most cases, a story succeeds when you connect a smaller idea or action to something bigger — a purpose, a movement, an emotion. This is how you get people to follow you on a journey, whether they're a customer following you through your product, or an employee agreeing to grueling startup hours to be a part of your vision. This skill becomes essential as soon as you have even one employee, says Faul. It's your responsibility to keep them connected to the dream of what you're building together — through the hardest of times. You have to look at it as an integral part of your job, just as or even more important than your product, engineering or design skills.

THE LEVERS OF GOOD STORYTELLING

Connecting to mission

The undercurrent of every story you tell as a manager has to be your company's purpose. At Facebook, Faul felt that his job managing the user operations team started with the organization's drive the connect the world in positive ways. He knew a thread had to run directly from this central company purpose to every single individual on the team. Every person had to be able to relate to the company's purpose, and their work had to have a clear and understandable impact on this purpose. In many cases, especially as companies grow, this becomes less and less clear. People's work becomes increasingly narrow and niche. Stories are vital for clarifying ties between people's every day and the long-term objective.

"People's intrinsic motivation comes from feeling that they're doing something important. Their work moves people. It powers a vital part of the company," says Faul. "Every single place I have been, there have been difficult times and tapping into this drive was the most important reason we retained talent and made it through. When I was in the Marines, we had a lot of unimaginably hard days. The leadership had to make us feel confident that our work, and therefore our commitment to the work, mattered."

Amplifying Emotion

In addition to underscoring purpose, good stories evoke emotion — real, raw human emotion.

> **What happens in those moments where you feel yourself on the edge of crying? Or you feel your heart expand? Or you smile involuntarily with joy?**

“In these moments, really think about what is happening to trigger these feelings. How can you create experience with this type of resonance in the lives of your employees?” Faul says. “When people look at their work through the lens of human emotion, everything changes and they better understand the gravity and importance of their work.”

He often tells managers on his team that he wants every single person to feel excited to talk about their work at weekend parties and after-work cocktails — because what they’re doing is meaningful. When you look at the anatomy of this feeling, it’s a combination of pride, conviction and happiness. What events and behaviors cause you to experience these emotions? Perhaps it’s overcoming an obstacle, expressing genuine gratitude for a teammate, appreciating high-quality work. When these things happens at your company, you can double down on the impact by pausing and reiterating what just happened. Really take time to soak it in and celebrate it. If you don’t, your team won’t. Everyone’s default is to move on to what’s next.

Remember also that people attach emotion to individuals. They love rooting for people. They love experiencing the world through others’ eyes. The more you can tell stories about actual people that connect to the broader purpose, the more your audience will feel and not simply hear what you are trying to tell them. For example, you might highlight the work of one team member in particular, and explain how it nudged the entire company closer to an important metric. You might emphasize the level of craftsmanship they brought to their work, how they assisted a teammate in need, how their depth of belief in the company led to something incredible. **When you talk about the genuine feelings one person has, you're leveraging social proof to help others reach the same emotional place.**

Being in Service

Practice will make all the difference to the quality of stories you tell. Faul remembers when he first started focusing on storytelling at Google, he often came off as dry and not very inspiring. He had to invest hours and hours in becoming an a natural at narrative. But he couldn't have done this without finding his own drive — and that came from being in service to the people he was managing.

> **The people in my life who tell stories that give others the chills – they work harder than anyone I've ever known to do it. They practice hundreds, not just dozens, of hours.**

"I firmly believe that leaders at companies need to be in service to their people. They need to ensure they have everything they need to succeed," says Faul. "One of the most critical needs they have is a complete picture of why they should show up and pour their heart into their work every day. It's not a nice to have, it's a basic need."

If you're having trouble prioritizing storytelling at your company, he recommends reframing the skill in this way. It's a service you're rendering to your employees — more important than lunch catering or great equipment. Give it the time that level of importance merits.

Putting Yourself in Their Place

Your employees will be energized by any story that shows that you've been where they are before, and that you — as their leader — understand their experience, says Faul. This is true for a host of reasons. They want to know that the people shaping strategy and making decisions see the impact it will have on people. They want to know they're on the same path to success. They want to be able to feel safe and heard and valued. The more you can make it clear that you've been in their shoes, facing the types of challenges they face, the more effective you will be.

This means really inhabiting and feeling the frustrations, fears, stress and disappointment that your team encounters along the way. These aren't positive emotions. They're hard to weather and relive. As a manager, it's easy to want to be teflon, to have all the answers, to seem effortlessly successful (and therefore credible). **But real credibility comes from accepting how hard things really are and providing a roadmap for others to survive and grow stronger from similar challenges.**

"At Facebook, I worked for a guy named Dan Rose who was really, really good at this," says Faul. "In 2012, we faced a number of tricky situations and Dan would tell us stories about his time at Amazon and similar struggles he faced there. He was open about having the same anxiety we were all feeling at the time. Because he shared that so freely, we trusted him when he explained how he'd navigated through those tough times. It gave people a level of comfort that we'd find a way to work through it."

By empathizing and making himself vulnerable to criticism, Rose built trust and confidence. It feels counterintuitive to let down your guard. You think it will have the opposite effect, but you have to lean into that tension and discomfort. As much as you can, you have to put yourself in the place of the people on your team so you can authentically relate.

When asked about the best leaders he's ever observed, Faul immediately cites General James Mattis, who replaced David Petraeus as head of United States Central Command. He recalls one particularly cold, harrowing night in Afghanistan when the Marines needed to defend an airfield in the middle of hostile territory. The general spent hours standing a post side-by-side with a 17-year-old soldier, talking to him to understand what his experience in the Marines had been like, how he was feeling, how things could be better. Here was a man in charge of all of the forces in the region, and he made it his business to fully comprehend the life of one soldier, Faul says.

Obviously, running a tech startup is different, but the principles of good leadership are strikingly similar. If you don't have a past experience you can use to connect to your team's current plight, get familiar with what's happening for them now. Listen to their stories, so you can eventually tell one that will speak to people and make them feel seen.

This degree of empathy is closely tied to the first of three different types of stories Faul believes every manager should tell frequently and deliver compellingly. Read on to learn how to develop each of these narratives and tell them in a way that moves people.

#1 THE FAILURE STORY

"Being vulnerable is one of the most powerful things you can do as a leader because it shows you're genuine. Being genuine builds trust. Trust is the key to getting anything done," says Faul. "If you're willing to tell everyone on your team about your mistakes, your shortcomings, what you're currently working on to get better, you seem more human. It's easier for people to connect with you. They have an easier time believing what you say, and that you're taking their wellbeing into account."

It also gives people permission to take bigger risks in their own work. If your team knows about times you tried to do something and failed, they will also see that you recovered and went on to succeed. They won't feel hard-pressed to be perfect or place small bets so they always win. When you're at a startup, you can't afford to play it this safe.

"At Facebook, **Sheryl [Sandberg]** used to talk very publicly and encourage other leaders at the company to talk very publicly about things they tried that didn't work and what they learned from it," says Faul. "She would tell specific stories about the smartest people she knew, how they had stumbled, and how they had worked through failure. The way she told these stories, the people were very real to us. The feelings they experienced when they failed were very real. But the idea that the company was learning and moving forward was also very real. She made it clear these experiences were the foundation of Facebook's culture and something to take pride in."

Faul remembers when he first started leading people in the Marines, being vulnerable was very difficult for him in the same way it's hard for many new tech managers. "You don't want to show any sign of weakness because you want to convince everyone — maybe mostly yourself — that you're there for a reason, you're not a fraud, you don't have any doubts," he says.

His attitude toward vulnerability and sharing failure didn't start changing until he arrived at Facebook and saw the example set by Sandberg and Mark Zuckerberg. Now he feels responsible for modeling this approach to the managers on his own team. It's one of the most powerful ways to pass these skills along to more people and strengthen your entire organization.

> **I saw firsthand the way my relationship with people changed once I started talking about mistakes. The entire environment of my team changed. Everyone started sharing more openly.**

One of the key failure stories Faul shares draws his time at **Pinterest.** Early on, he worked on major projects related to the company's culture. "I know there were many pieces of this I approached the wrong way. I made some bad decisions, including one that didn't get the response we wanted at all inside the company — it just didn't land," he says. "It was my first big, visible failure as an executive, and I knew it reflected poorly on me. I had to work through that, acknowledge the failure, apologize for it, discuss it over and over again. **It was incredibly hard for me to do."**

Instead of sweeping the episode under the rug, he now tells this story again and again. Whenever his team confronts a similar situation or makes a mistake, he recalls it. Because the truth is, he did get through it. His team at Pinterest not only survived but went on to other successes. Knowing that recovery is possible on this level generates productive psychological safety for everyone involved.

There's another story in this genre Faul tells, that almost everyone working at a startup will relate to at some point. After he was at Facebook for a while, Sandberg — his manager at the time — hired someone new to take over a large part of his job. "This was honestly one of the hardest moments in my career — one of those big moments where I felt like a failure, like I wasn't moving forward," he says. "When we talked, she told me that it was because the company was scaling and this is a normal function of scale. Now I can see it was 100% the right decision, but at the time it felt awful."

Fault's told this story 100 times, he says, to make it clear to people on his team that this is something even the best employees will go through at fast-growing companies. It's important that he admits the depth of the emotion he felt, and even that he questioned what was happening and doubted himself. Because this is what he knows people he manages will experience.

"I can tell people, 'I've been through this and I legitimately know that you're going to make it through this and be fine, be better, do more,'" he says. "Now I have three or four stories over the course of my career like this that I tell to soften these hard moments for the people I work with and give them the confidence to endure and stay excited."

> **Being vulnerable doesn't weaken your authority.**
> **It strengthens everyone else around you.**

Let's say you're new to management, new to storytelling, and uncomfortable with being this open. If this is the case, start small, Faul says. For instance, if you're a founder, and being vulnerable with your whole company feels impossible, start by being open with just one of your first employees. The more people you try to reach this way initially, the more pressure you will feel, and it can break you.

You want to get some success under your belt. Open up to just one person, or two people you really trust. See how they respond and how it changes their work style and ethic. Chances are, you'll get a positive reaction, he says. Plus, it will give you a chance to strike your own balance between vulnerability and confidence. You don't want to share messy, doubting, fearful emotions without some resolution. Don't leave people scared about the direction and future of the team or the company. **Instead, use vulnerability to fuel your conviction in the path you're charting now.**

The second tactic for nailing failure stories: **Choose your words carefully in advance.** "When I feel people getting worried around me or not taking the big risks, or trying to rebound from a mistake, the first thing I do is sit down and write out the story I want to tell them," says Faul. "It's so important that I find the right language that will make it clear I know what their feeling and that there's a solution. I'll even practice with my wife. I don't think people should expect to be good at this spontaneously. And it's so important to get right."

When he prepares what he wants to share, he always asks: Is my message clear? Is it simple? Does it evoke emotion? Is it the type of story that members of your team will tell your friends in a conversation about why they love their job or the company? The answers all have to be yes.

Don Faul (left) talking about his experiences in the Marines in front of an audience at Facebook.

#2 THE GOOD EXAMPLE STORY

One of the best stories to encourage great work, behavior, actions, etc. is a story exalting an individual has exemplified these traits.

"Stories are incredible tools for reinforcing the quality of work you want to do or the type of behavior you want people to exhibit," says Faul. "Especially when you're trying to help your team live the company's cultural values, giving them lots of rich examples of people doing it already makes a huge difference."

For instance, Faul has continually noticed how hard it is for people to offer feedback to managers, particularly those a couple tiers higher in the organization. As a result, leaders often get the least amount of constructive advice for improvement, when they should probably receive the most. People are afraid. They're intimidated. They don't want to offend or burn bridges. Telling people it's important to offer this feedback isn't enough. The only thing he's seen work is telling stories that champion this behavior.

"At Facebook, there was a well known story about an intern who, when given the chance to ask a question of a top executive, offered constructive feedback about a television interview the person had recently given," says Faul. "That story has been told now dozens of times to show how important it is to speak your mind if you think leaders can get better. To show that that type of courage — to say something difficult to help boost performance — will be rewarded."

You want good example stories to become part of company lore. This is how values truly become the fabric of your startup — not by posting them on the walls or repeating them during an all hands. **"There are now thousands of Facebook employees who can probably tell you some version of the intern story," says Faul.**

Repetition is your key to success here. Even if people memorize your mission, vision, value statements — they probably won't internalize them. Stories about other people living these words are the best way to make them meaningful.

"At Pinterest, CEO **Ben Silbermann** did this extremely well," he says. "He would start every all hands meeting with a customer story — a different customer every time — and how different people within the org had made success happen for the company and that customer. He's always deliberate and crystal clear. Everyone got to see our mission and the way we want to work in action through these stories every other week."

Getting good at this is vital for early stage companies. There's so much going on, so many needs, so much fast action required, that communication ends up being very ad hoc and fragile. It's easy for people to lose track of what's going on, company priorities, why the work is important. Telling stories about people doing good work that maps to your highest priorities will align everyone around what they should be doing.

This solves another common issue too. "Most startups don't spend nearly enough time recognizing people," says Faul. "Most people need to know their managers and org leaders see their hard work and value it. They're hungry for this type of acknowledgment. When you tell a story about them, you kick their motivation into hyperdrive, and you make them a model for the rest of the team to follow their lead."

One of the best ways to build a good example story is to slowly zoom out. Faul gives customer operations as an example. Perhaps a support team member had an incredible win and saved an account for the company. You'd start by explaining what this person did objectively and what they achieved. Then you use what they did to explain why the customer support function is so invaluable to your company strategy. From there, you can talk about the level of service you want to provide company-wide and what this looks like. And finally, you can touch on how this will power the overarching mission.

Another example: Instead of telling everyone how important it is to hit deadlines, or castigating a team over a missed deadline, you can take every opportunity to acknowledge the people who excel on time. You can use their experience to explain why timely work is so important, what it makes possible for customers, how it changes the way the company is perceived, and how it helps everyone deliver on the promise they've made to the market.

With one narrative, you can fuel a top employee, set a positive example for an entire functional area, underscore company values, and connect the work of individuals to the bigger picture. This is what makes the good example story indispensable. It's incredibly versatile and effective.

"You have to treat things like quality and discipline as core competencies your organization needs to win," says Faul. "At Athos, we're trying to build the most sophisticated strength and conditioning training system on the planet. To do this, we need everyone to know how high-quality our products are and how aspirational our brand must be. If we can't get this across, it won't matter how good our product actually is. So everyone needs to be pushing for this all the time."

The stories he and his fellow executives tell are about people who believe every tiny detail matters and act accordingly. The people who are immediately responsive over email to customers. The people who think through more graceful packaging solutions. The person who decided to use a certain color thread in Athos' garments to give them their premium look and feel. These stories get told repeatedly over email and in meetings, until everyone automatically connects these actions to the long-term vision of the company.

#3 THE INSPIRATIONAL STORY

That connection between individual employees and the broader purpose of your organization is very delicate and one of the first things that breaks during scale if you're not very careful. Inspirational stories serve as the glue making sure these separations don't happen. As a founder, it's important that you not only invest in telling these stories, but also in your managers learning and being able to do it too.

Telling an effective inspiring story starts with psychologizing your audience — and, to an extent, building an audience you know will be receptive to your message. For instance, at Athos, Faul knows that employees are passionate about athleticism, about helping athletes achieve better performance. Many of them have a background playing sports or doing yoga or strength training. He himself was heavily involved in high school and collegiate sports. Based on this knowledge, he knows the company's mission to build better athletes will resonate, and that telling stories about how Athos is actively strengthening athletes will incentivize excellent work.

"You want to tell these same stories in your recruiting process and watch carefully to see how they land with candidates," he says. "This is how you can select for people to enter your mission who you know will care about it. These people will always do better work than those that choose to be there for the money or the brand association, or even because they think the product is cool or the problem is interesting.

As you build an organization, you want to draft people who will not only be bought into what you're doing, but the stories you tell to drive people forward."

Inspiration requires even more rehearsal than the other types of stories. Whenever Sandberg needed to rally people behind a project or cause, they would dedicate hours to refining their language, practicing and infusing their words with the emotion they wanted people to feel.

"Trying to be inspiring and missing the mark is painful and damaging," says Faul. "I know because I tried to do it a many times before I was ready. Now I take the time to think through every inch of these stories. I feel that I owe it to my team. It's one of my biggest responsibilities."

Knowing what you want to say is a good start, but you really need to have the right structure. **You want to sit down and outline.** What information should come first? Who are the protagonists people can relate to in your story? What is the arc of the narrative that makes the story new, interesting, different, counterintuitive, resonant? When you practice in front of people, what grabs them? When do you see the emotion on their faces? How can you double down on those remarks? Sometimes, Faul's team members will see him apparently talking to himself in his car in the parking lot. But he's not. He's practicing stories.

"You have to figure out what works for you. I personally don't like memorization because it doesn't feel organic, and my delivery can be a bit stilted. Some people love memorization," he says. "Some people want note cards with the four bullet points they have to hit. The real advice here is to do whatever makes you feel and act comfortable. That's all that matters. And know that it will definitely feel uncomfortable the first few times you do it. That doesn't mean you're doing it wrong."

> **Remember, an inspiring story is a service you're providing for people you care about.**

There are several components most inspiring stories share.

First, they're **aspirational**. They touch on what the future could look like. Actions your team could take. Quality you have the ability to deliver. Stretch goals are motivating. People want to tackle new things so they can learn and grow. The suspense adds drama that moves people to be their best. There's positivity in accomplishing a leap, of course. But don't discount the positivity that comes out of trying, failing and learning too. Don't be afraid to set the bar high.

Competition inspires. People instinctively want to be the best. But you don't have to be talking about competition with another company or a common enemy. You an talk about competing with last year's numbers, last month's customer pipeline, etc. People want to compete with themselves. But if you don't frame things in this way, you're missing out on that source of motivation.

Express the confidence you want people to have in themselves and the organization. Act as if it's already been earned. You know something they don't. You see the successful outcome already. According to Faul, this was another strength of General Mattis.

Shortly after 9-11, Faul found himself in Kandahar listening to Mattis give a speech to 300 Marines. "I remember, we were all extremely nervous but not admitting it. Candidly, we were scared and we had no idea what was going to happen," he says. "The general didn't ignore this. He talked about the sacrifices he knew we were all making, and how natural it is for humans to feel fear. But then there was a turn and he shared, plainly, how confident he was in each and every one of us. He reminded us about our training, how prepared we were, and how he was certain that we would triumph."

That speech touched on so many of the great storytelling mechanisms: He empathized with how he knew the Marines were feeling. He held up the example of those that had excelled in training. He challenged them to rise to the higher purpose they were serving, and he expressed unqualified confidence in their abilities.

"I remember feeling this incredible level of strength and optimism after hearing that speech," says Faul. "I had probably exchanged three words with this man, but the story he told about us and our training made me trust him and trust myself. I remember thinking how the right words can be so powerful. They can make you feel like anything is possible."

TOOLS FOR

Making Decisions

02.

WHAT'S AHEAD

Square Defangs Difficult Decisions with this System – Here's How

Throughout his career, **Gokul Rajaram** has noticed how a lot of forward-thinking companies still gravitate to consensus when making decisions. It turns out that for important, difficult choices, that approach is often ineffective and impractical. Here, Rajaram shares the SPADE framework that he uses at Square and Caviar to make the most difficult decisions and articulate each stage of the process broadly to the company, all while assigning ownership, being inclusive and coordinating execution among all stakeholders.

Gokul Rajaram

A decade ago, Gokul Rajaram fundamentally changed the way he makes decisions. Then a product management director for Google AdSense, he was presenting to Google's CEO Eric Schmidt. A gnarly challenge related to Google's display ads business surfaced, and the discussion got heated.

Schmidt's voice boomed, "Stop. Who's responsible for this decision?" Three people — including Rajaram — simultaneously raised their hands. "I'm ending this meeting," Schmidt said. "I don't want you to return to this room until you figure out who the owner is. Three owners means no owner." With that, the meeting was adjourned and the team dismissed.

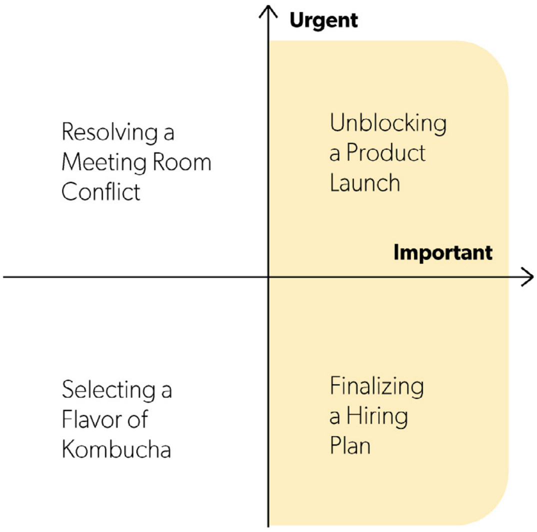
Ten years and three companies later, Rajaram still recalls and references that moment. Now at Square, he oversees Caviar, the company's rapidly growing restaurant delivery service. Before that, Rajaram led the strategy and execution for Facebook's advertising products after it acquired semantic technology startup Chai Labs, which he led as co-founder and CEO. At Google, he played a leadership role in building Google AdSense into a multi-billion dollar product line.

Throughout his career, Rajaram has noticed how a lot of forward-thinking companies still gravitate to consensus as the way to make decisions. It turns out that for important, difficult choices, that approach is often ineffective and impractical. At First Round's last CEO Summit, Rajaram shared a framework that he uses at Square and Caviar to make the most difficult decisions, all while assigning ownership, being inclusive and coordinating execution among all stakeholders.

> **Consensus means no ownership. What's important is not that everyone agrees, but that everyone is heard and then the right person makes a decision.**

WHY DIFFICULT DECISIONS DESERVE A FRAMEWORK

The decision-making framework that Rajaram uses assumes a tough choice must be made. For Rajaram and his colleagues, that means first recognizing when a decision is hard. "This may be a familiar chart for some. It sorts decisions into four quadrants along the axes of importance and urgency," says Rajaram. "As a team or organization, substitute your own description for each quadrant so that it resonates with your people. My favorite's the Kombucha quadrant: the non-urgent and non-important decision. We jokingly reference the Kombucha scale at Square when prompting colleagues to consider how important or urgent a decision is."



This basic chart can help establish shared definitions of priority and ideally relegate scenarios to ballpark categories that'll help determine how you'll invest resources to make the decision. "The difficult choices that you want to run through the following framework are the important ones — whether urgent or non-pressing. "The right decisions for this system are those that are so critical that they could affect your company, even make or break your business. That could be at the company, group or business unit level."

For most leaders, this exercise is instinctual, but this quick quadrant sorting can help communicate that categorization and bring others up to speed on the decision at hand. "Once you do a quick assessment of the importance of your choice and start using the decision-making framework over and over, something happens. You realize that making decisions doesn't take days. It can be done in an hour or two. In that time, you can quickly make a high-quality choice with this framework. A fast decision means you can conserve energy for the important work that comes after making the choice," says Rajaram.

The decision-making framework is called **SPADE**, an acronym that stands for **S**etting, **P**eople, **A**lternatives, **D**ecide and **E**xplain, which was created by Rajaram and Square colleague Jeff Kolovson. Here's how each step is important and how it's been applied in the companies where Rajaram has had to make important calls.

SETTING

Every choice needs a context, so the "S" in SPADE stands for setting. "The 'setting' texturizes your decision and establishes the tone. It helps to figure out what the decision actually is," says Rajaram. "It breaks it down into elements and sets the participants in the decision into motion." The setting has three parts: what, when and why. Here's how Rajaram describes each element:

Precisely define the decision to capture the "what." "You'd be amazed at how many people can't articulate what the decision is in a precise way. For example, I've seen decisions articulated in the following manner: 'The 'what' is figuring out the next country to launch in.' If you have exactly one product, that's okay. But if you've got multiple products, the decision is not just what country to launch in, but what product to launch and in what country to launch it. It's two axes not just one — and if you dig deeper, there's probably more dimensions to the decision. Be very precise about the choice you're making."

Calendar the exact timeline for the decision to realize the "when." It must reflect not only the duration it'll take to make the choice, but also the reason why it'll take that amount of time. "Be sure to think critically about the 'why.' If someone says a decision must be made by October 15th, 2015, why must that be? Does it matter? Here's an example: The product needs to launch on November 15th, 2015 and therefore I need the name determined by October 15th, so this name can flow through in the collateral, into the website and into the app. I need four weeks for that. That logic helps people understand the when, and the 'why' of the 'when.'"

Parse the objective from the plan to isolate the "why." Articulating the "why" is the key to establishing the setting. "The why defines the value of the choice. It explains what you're optimizing for and reveals why the decision matters. I'm an advisor to a startup at which the head of product management and the head of product marketing had a massive blow-up. They disagreed about how to price a product. Working through it, we realized the conflict stemmed from a fundamental misalignment around the goals of pricing. The product manager saw it as a way to optimize market share, while the product marketer viewed it as a way to maximize revenues. Neither of them had articulated that, nor had the company's founder. As soon as we figured out this was the root of the conflict, it became easier to get to the decision."

> **How can you make a decision without knowing why it matters? It's a simple, basic question, but I'm astonished by how the answer so often eludes people.**

PEOPLE

The horsepower behind executing a decision is the people, representing the "P" in the framework. "The reality is that I lied. Setting is not the first thing you need to make a decision; it's People. But it's also less fun to name a framework PSADE," says Rajaram. "The truth is that — as with everything in an organization — people come first. This includes those who are **consulted** and give input towards the decision, the person who **approves** the decision, and most importantly the person who's **responsible** for ultimately making the call."

There are three primary roles for people involved in the decision: Responsible, Approver and Consultant.

Synonymize accountability and responsibility. Some decision-making frameworks separate the responsible from the accountable person, but **the decision maker** (aka the responsible **person**) should be both. "At Square, the person who's responsible for making the decision is the person who's accountable for its execution and success. We believe accountability and responsibility are the same thing," says Rajaram. "Here's why: think of the last time you were handed a decision that someone else made but for which you had to execute and usher to success. How did that feel? I'd guess it made you feel frustrated, powerless or disengaged. We want to avoid that. That's why the decision maker is both accountable and responsible. It's more fulfilling and empowering." Empowering people means pushing decision making authority to the person who is accountable and can own the decision.

Veto decisions mainly for their quality, not necessarily their result. A key participant in the decision-making framework is the approver. "The approver is the person who can veto the decision. Typically, the approver does not vote down the decision itself, rather they veto the quality of the decision," says Rajaram. "It is a checks-and-balances function on the responsible person to make sure she is not abusing her privilege and making a low quality decision. Vetoing a decision a superpower that needs to be used very sparingly, but also not forgotten to be flexed when needed."

Formally recognize the roles of all active participants. The third key role is the decision-making process is that of the consultant, who plays a very important function that many forget to acknowledge - giving input and feedback. "People don't realize that a lot more people need to be listened to across the organization. Consultants are people who are active participants in the decision," says Rajaram. "These are people who'll give input, feedback, analysis and support to the responsible person so she can make a high quality decision."

At Square, consultants are known and named, given their influence and insights during the decision-making process. "I remember one instance that had to do with the change in policy for how engineers wrote unit tests for software. The decision maker, an engineering lead, had consulted with several of his fellow engineering leads and felt comfortable with his decision. Then he sent an email with the policy update decision to all of Square's engineers," say Rajaram. "Within 30 minutes, a dozen people replied, many of them disagreeing vehemently with the decision. To his credit, the lead took ownership. He froze the decision and invited every engineer at Square who agreed or disagreed with the decision to meet with him over the next week. I think a dozen people took him up on it and went to his office hours. A week later, he sent his new decision out by email. Guess what? It was exactly the same decision as the last time. But this time, nobody complained. Why? Because they all had been listened to."

> **Listening matters. Much, much more than you think. People want the option to chime or chip in, even if their stance is counter to the end decision. They just want to be listened to.**

ALTERNATIVES

Once you define the setting and assemble the participants, your next step is to outline the alternatives. "Simply put, an alternative is a view of the world. It's the job of the responsible person — the decision maker — to come up with a set of alternatives to consider, without any bias. Alternatives should be **feasible** — they should be realistic; **diverse** — they should not all be micro-variants of the same situation; and **comprehensive** — they should cover the problem space," says Rajaram. "In other words, the decision maker needs to list out the pros and cons of each alternative as it relates to the value function. In many situations, one can also quantitatively model out the impact of each alternative and evaluate it against the decision's setting — specifically the why, the optimization function."

For many complex decisions, it's best to generate alternatives in a group setting with all of the Consulted people. "Get in a room, get on a whiteboard, and brainstorm," says Rajaram. "For each alternative, list out the pros and cons, as well as the parameters behind the quantitative model. There are no shortcuts. Get into the numbers as much as possible. It can be very hard with ambiguous decisions to get down into the numbers, but it's very valuable to do so."

Most importantly, if done right, this brainstorming exercise will also help generate new alternatives you might not have considered earlier. For example, he says, "When we were in partnership discussions with an important potential partner, the process got stuck around a specific clause. The decision we needed to make was how to move forward. We had two initial options — go ahead with the partnership as-is or terminate the discussions. When we got together to brainstorm alternatives, the group was able to generate a third compelling option — establish a contract with a third party which would mitigate our risk around this clause — that we had not previously considered.

"The place where we see timely, quantitative evaluation done best is in M&A deals. Why? Because it's a very important decision that's potentially 'make or break' for the company," he says. "Plus, most experienced corporate development professionals do an amazing job of evaluating the sell, buy, and partner scenarios along with the associated economic benefits to the company over five years or ten years. They consider probability of success, resources invested and opportunity costs."

Employ the level of diligence, metrics and stakeholder engagement as you would for an M&A deal. If it's a big decision, you're actually merging your past and present.

Gokul Rajaram

DECIDE

With the alternatives evaluated by your people and pros and cons anchored to your setting, it's time to decide. "The way you choose is simple. Now that you've figured out all the alternatives, bring all the consultant folks back into the room and present everything. This involves listing out the alternatives, their pros and cons, and the values from the model you ran. Then ask them for their feedback," says Rajaram.

The most important part part of this process is to ask them to send you their vote privately. "It can be by email, Slack or, my favorite, SMS — as long as it's delivered privately along with the chosen alternative and why it was selected," he says. "Casting your vote privately is important because difficult decisions can have controversial solutions. Your goal is to get honest declarations, not answers that bend to organizational hierarchy or peer pressure. It's really important to solicit impartial feedback and votes that aren't influenced by others."

That said, in exceptional circumstances, choices can be articulated openly. Rajaram remembers the decision-making process that Sheryl Sandberg ran was so thorough that she built an unprecedented level of trust within the group. "It started when we elected her the decision maker and owner, one of the smartest moves we made. Then she involved us at each stage, insisting on our involvement. By the time she got us all in the room the third time, she had built such a high level of trust in the room that everyone, including Sheryl's exec admin, felt completely free to speak their minds."

Now that the decision maker has all the votes, they should evaluate the information thoughtfully, consider people's votes, and then make the decision. This involves choosing one of the alternatives, and writing out in as much detail as possible, why they chose it. “Writing out the decision shouldn’t be too hard because you’ve already listed the pros and cons and the formula,” says Rajaram.

EXPLAIN

The final step of the framework requires the decision maker to explain the decision. In short, she must articulate why she chose the alternative that she did, and explain the anticipated impact of the decision. This process is much easier if the decision maker records her thoughts as soon as she makes the decision. This stage involves three steps:

Run your decision and the process by the Approver. Again, the default of the Approver should be to monitor the decision process, not result. “Since the decision maker is leading the SPADE framework, it’s likely that the approver has not been as involved, and therefore can evaluate the decision with a fresh perspective. If you’re responsible for the decision, meet with the Approver, explain the decision, and get buy-in. If you created a high quality decision framework, she’s unlikely to veto it.”

Convene a commitment meeting. It takes coordination, but it’s important to pull together all the consultants that have been involved in the decision. Reserve a conference room or line that will include all participants to date. And then walk them through the decision. “Now is when you explain the decision and really take ownership of the decision. There might be grumbling or disagreements, but this is the moment when you explicitly become the owner of the decision,” says Rajaram.

Call a commitment meeting. After the decision is made, it’s paramount that each person — regardless of being for or against the result — individually pledges support out loud in the meeting. “Go around the room and ask each one of them to support the decision one at a time,” he says. “Commitment meetings are really important, because when you pledge to support a decision in the presence of your peers, you’re much more likely to support it. As the decision maker, you’re responsible for executing on that decision, and so you need their support to help to move forward.”

After a decision is made, each participant must commit support out loud. Pledging support aloud binds you to the greater good.

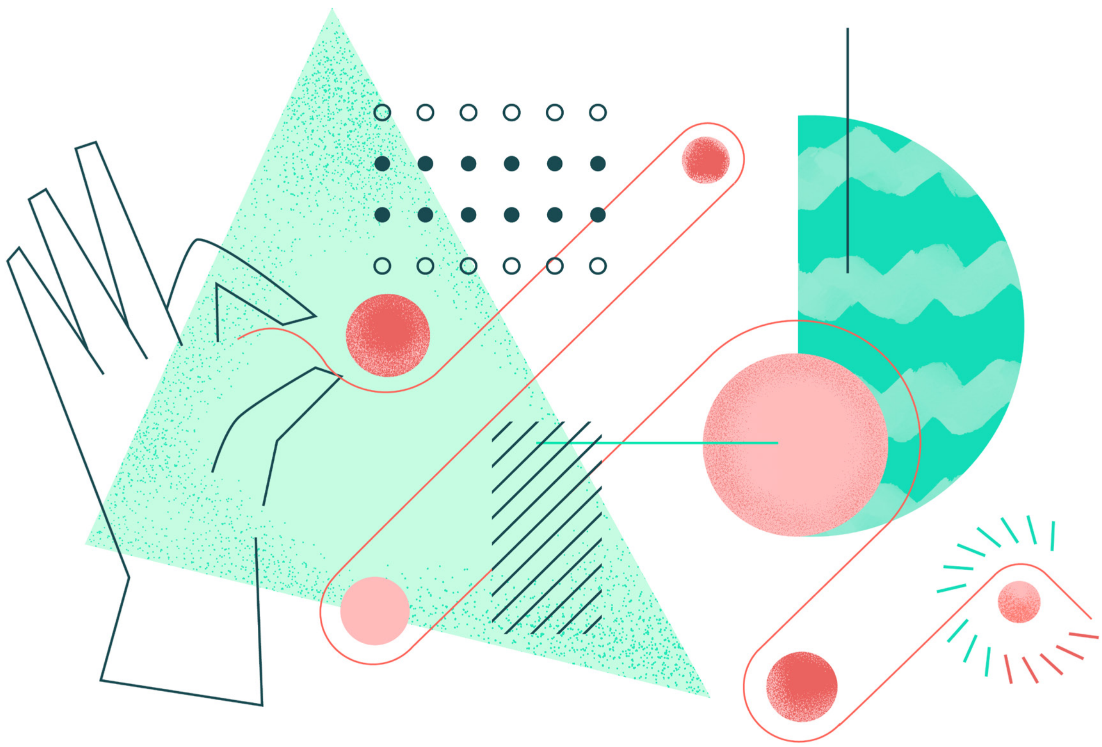
Circulate the annals of the decision for precedent and posterity. Now that the decision is made, the real work begins. "After the commitment meeting, you need to to figure out how next steps will be delegated and executed," says Rajaram. "The decision maker must summarize the SPADE behind the decision in a one page document. This brief should be emailed out by the decision maker to the rest of the company or to as broad of an audience as possible. Why? Because the company needs to see what and how decisions are being made."

Square uses an email alias (notes@) to send all kinds of decision and meeting notes to the company. "We started sending SPADE summaries to the company over the last couple of years," he says. "It's been really gratifying to see the number of decisions that are increasingly made using this framework and sent out to the company. Employees start to register the high quality decisions that are being made about important topics across the organization. That's how more people get encouraged to confront difficult decisions and share how they made them."

PULLING IT TOGETHER

The SPADE decision-making framework can help synchronize and speed up collaboration to make difficult choices. While the system outlines a step-by-step process, Rajaram emphasizes a few key takeaways. First, don't use consensus; agreement does not equate ownership. Second, clarify the 'why'; it's essential to understand the purpose and context for making the decision to optimize for it. Third, ensure that the decision maker is both responsible and accountable for the final choice. Don't be that company where decisions are handed off to be implemented without previous involvement. Fourth, consult maximally. Many more people want to be involved than you think do. Finally, get feedback privately, but document and get support publicly.

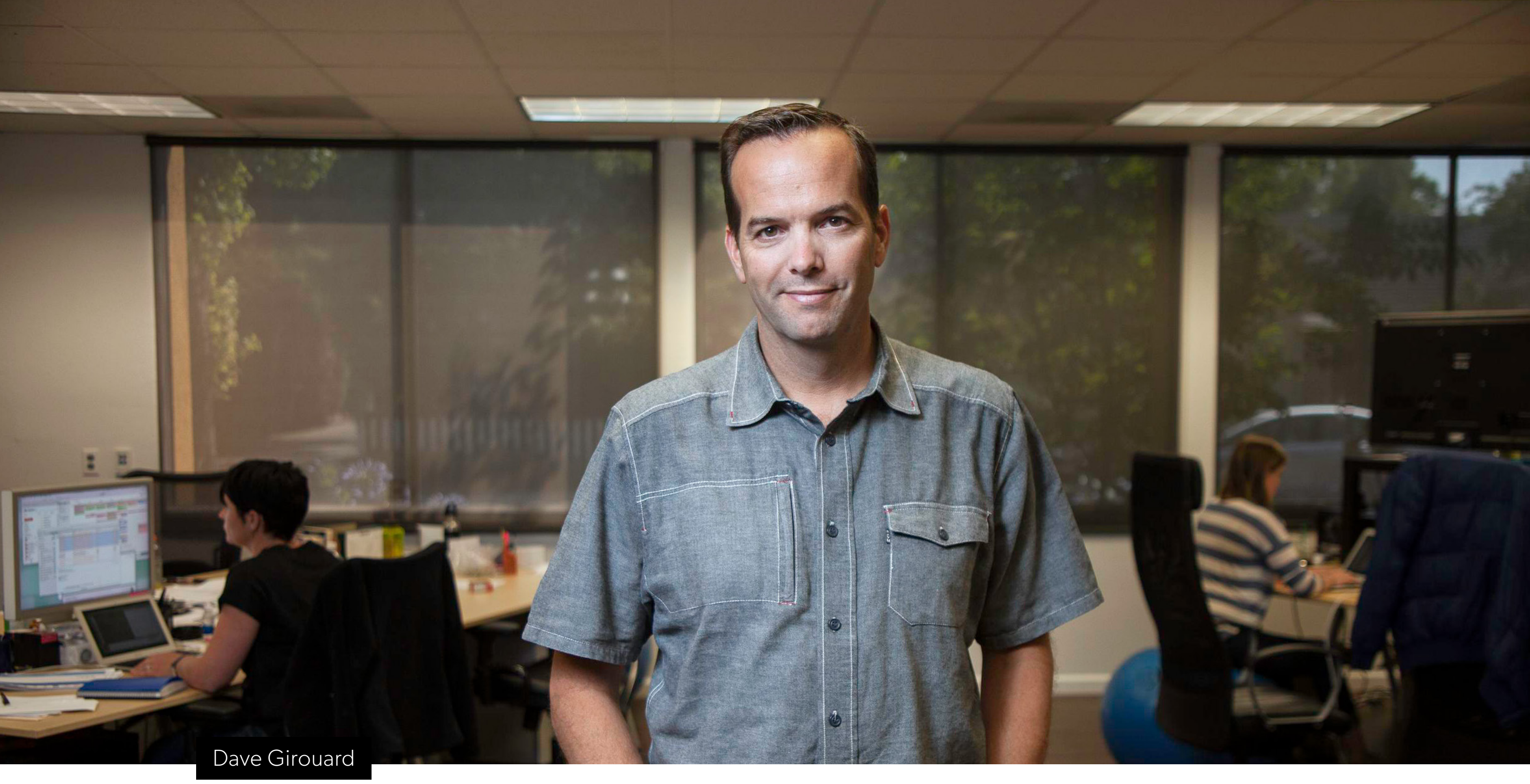
"I bet you if you survey people at your company today about decision making and their level of happiness, most will say that they don't understand how decisions are made. This framework allows you to articulate each stage of the process broadly to a company," he says. "I firmly believe that making high quality decisions can fundamentally transform the way we work. I personally can't wait to live in a world where people and companies make difficult decisions systematically and in a high quality way."



WHAT'S AHEAD

Speed As A Habit

"I've long believed that speed is the ultimate weapon in business. All else being equal, the fastest company in any market will win," says **Dave Girouard**. The most successful technology leaders have an innate ability to keep things moving fast as they make and execute on massive decisions every day—but luckily speed is a learned behavior. In this article, Girouard draws on his experiences at Apple, Google, and Upstart to offer advice on how to make speed your greatest competitive advantage and core to your company's culture.



Dave Girouard

I've long believed that speed is the ultimate weapon in business. **All else being equal, the fastest company in any market will win.** Speed is a defining characteristic — if not the defining characteristic — of the leader in virtually every industry you look at.

In tech, speed is seen primarily as an asset in product development. Hence the "move fast and break things" mentality, the commitment to minimum viable products and agile development. Many people would agree that speed and agility are how you win when it comes to product.

What they fail to grasp is that speed matters to the rest of the business too — not just product. Google is fast. General Motors is slow. Startups are fast. Big companies are slow. It's pretty clear that fast equals good, but there's relatively little written about how to develop the institutional and employee muscle necessary to make speed a serious competitive advantage.

> **I believe that speed, like exercise and eating healthy, can be habitual.**

Through a prolonged, proactive effort to develop these good habits, we can convert ourselves as founders, executives and employees to be faster, more efficient company-building machines. And, when enough members of a team exhibit this set of habits, and are rewarded with reinforcement, compensation, and promotions, the organization itself will gain velocity.

This is how category killers are made.

So let's break this down. What are the building blocks of speed? When you think about it, all business activity really comes down to two simple things: Making decisions and executing on decisions. Your success depends on your ability to develop speed as a habit in both.

MAKING DECISIONS

A good plan violently executed now is better than a perfect plan next week.

General George Patton said that, and I definitely subscribe to it. Do you remember the last time you were in a meeting and someone said, "We're going to make this decision before we leave the room"? How great did that feel? Didn't you just want to hug that person?

The process of making and remaking decisions wastes an insane amount of time at companies. **The key takeaway: WHEN a decision is made is much more important than WHAT decision is made.**

If, by way of habit, you consistently begin every decision-making process by considering how much time and effort that decision is worth, who needs to have input, and when you'll have an answer, you'll have developed the first important muscle for speed.

This isn't to say all decisions should be made quickly. Some decisions are more complicated or critical than others. It might behoove you to wait for more information. Some decisions can't be easily reversed or would be too damaging if you choose poorly. Most importantly, some decisions don't need to be made immediately to maintain downstream velocity.

Deciding on when a decision will be made from the start is a profound, powerful change that will speed everything up.

In my many years at Google, I saw Eric Schmidt use this approach to decision-making on a regular basis — probably without even thinking about it. Because founders Larry and Sergey were (and are) very strong-minded leaders involved in every major decision, Eric knew he couldn't make huge unilateral choices. This could have stalled a lot of things, but Eric made sure that decisions were made on a specific timeframe — a realistic one — but a firm one. He made this a habit for himself and it made a world of difference for Google.

Today at Upstart, we're a much smaller company, and we're making decisions that matter several times a day. **We're deeply driven by the belief that fast decisions are far better than slow ones and radically better than no decisions.** From day to day, hour to hour, we think about how important each decision is and how much time it's worth taking. **There are decisions that deserve days of debate and analysis, but the vast majority aren't worth more than 10 minutes.**

> **It's important to internalize how irreversible, fatal or non-fatal a decision may be. Very few can't be undone.**

Note that speed doesn't require one leader to make all the calls top-down. The art of good decision making requires that you gather input and perspective from your team, and then push toward a final decision in a way that makes it clear that all voices were heard. As I've grown in my career, I've moved away from telling people I had the right answer upfront to shaping and steering the discussion toward a conclusion. I wouldn't call it consensus building **— you don't want consensus to hold you hostage —** but input from others will help you get to the right decision faster, and with buy-in from the team.

This isn't a vote for rash decisions. I can be a little too "pedal to the metal" at times, and sometimes my co-founder Anna will say, "This is a big decision. Even though we think we know what to do, let's give it 24 hours." She's saved us multiple times with that wisdom.

There's an art to knowing when to end debate and make a decision. Many leaders are reluctant to make the final call when there are good arguments and a lot of emotions on both sides. We intuitively want the team to come to the right decision on their own. But I've found that people are enormously relieved when they hear that you're grabbing the baton and accepting responsibility for a decision. Using the "CEO prerogative" — to make the final call — isn't something you ought to need every day. As long as you do it sparingly, you can actually make your employees more comfortable, and engender more trust by pulling the trigger, logically explaining your choice and sticking with it.

In fact, gauging comfort on your team is a really helpful measure of whether you're going fast enough or not.

> **You know you're going fast enough if there's a low-level discomfort, people feeling stretched. But if you're going too fast, you'll see it on their faces, and that's important to spot too.**

While I was at Google, Larry Page was extremely good at forcing decisions so fast that people were worried the team was about to drive the car off a cliff. He'd push it as far as he could go without people crossing that line of discomfort. It was just his fundamental nature to ask, "Why not? Why can't we do it faster than this?" and then wait to see if people started screaming. He really rallied everyone around this theory that fast decisions, unless they're fatal, are always better.

EXECUTING DECISIONS

A lot of people spend a whole lot of time refining their productivity systems and to-do lists. But within the context of a team and a business, executing a plan as quickly as possible is an entirely different concept. Here's how I've learned to execute with momentum.

Challenge the when.

I'm always shocked by how many plans and action items come out of meetings without being assigned due dates. Even when dates are assigned, they're often based on half-baked intuition about how long the task should take. Completion dates and times follow a tribal notion of the sun setting and rising, and too often "tomorrow" is the default answer.

It's not that everything needs to be done NOW, but for items on your critical path, it's always useful to challenge the due date. All it takes is asking the simplest question: **"Why can't this be done sooner?"** Asking it methodically, reliably and habitually can have a profound impact on the speed of your organization.

This is definitely a tactic that starts with individual employees first — ideally those in senior positions who can influence others' behavior. As a leader, you want them to make "things I like to do" become "things we like to do." This is how ideas get ingrained. I've seen too many people never question when something will be delivered and assume it will happen immediately. This rarely happens. I've also seen ideas float into the ether because they were never anchored in time.

You don't have to be militant about it, just consistently respond that today is better that tomorrow, that right now is better than six hours from now.

There's a funny story about my old pal **Sabih Khan**, who worked in Operations at Apple when I was a product manager there. In 2008, he was meeting with **Tim Cook** about a production snafu in China. Tim said, "This is bad. Someone ought to get over there." Thirty minutes went by and the conversation moved to other topics. Suddenly Tim looked back at Sabih and asked, 'Why are you still here?' Sabih left the meeting immediately, drove directly to San Francisco Airport, got on the next flight to China without even a change of clothes. But you can bet that problem was resolved fast.

> **The candle is always burning. You need leadership to feel and infuse every discussion with that kind of urgency.**

Recognize and remove dependencies.

Just as important as assigning a deadline, you need to tease out any dependencies around an action item. This might be obvious, but mission critical items should be absolutely gang tackled by your team in order to accelerate all downstream activities. Things that can wait till later need to wait. Ultimately, you can't have team members slow-rolling on non-vital tasks when they could be hacking away at the due date for something that is make or break.

A big part of this is making sure people aren't waiting on one another to take next steps. The untrained mind has a weird way of defaulting to serial activities — i.e. I'll do this after you do that after X, Y, Z happens. You want people working in parallel instead.

> **A lot of people assume dependencies where they don't even exist.**

How can you turn serial dependencies into parallel action? As a CEO, I insert myself at different points in a process to radically accelerate things. For example, if we're coming up on an announcement and time is of the essence, I might jump in and just write the blog post myself. It's not that my team couldn't do it. I just know it would be faster since I'm the one who's picky about the content anyway. As a leader, it's your job to recognize the dependencies and non-dependencies, and take action depending on how critical the thing is and when it's due.

Ten times a day I'll find myself sitting in a meeting saying, "We don't need to wait for that thing, we can do this now." That thought is so common. It's just that people need to say it out loud more often.

Eliminate cognitive overhead.

Remember when you used to download lots of songs on iTunes? It was so painfully slow if you wanted to buy a whole album at once. You'd have to wait for one to finish downloading so they could all speed up. Projects are like this. Sometimes a project is so complicated that it feels like you're downloading six albums at once so everything else grinds to a halt too.

I can't even count the number of meetings I had at Google related to enterprise app identities versus normal consumer Google IDs. We launched a project to fix this, but it was so complicated that the first 30 minutes of every meeting were dedicated to restating what had happened in the last meeting. The cognitive overhead was mind boggling.

This is how I learned that if you can knock out big chunks of a project early, you can reduce the overhead of the remaining parts by 90%. You should always be on the lookout for these opportunities.

Often, it will be one tiny element of a project that's adding all of the complexity. For example, our business at Upstart has to comply with a lot of regulations. There's not a lot we can do until we know we'll have legal approval, so we used to spend a lot of time dancing around whether something was going to be legal or not. Then we thought, why don't we just get a brain dump from our lawyers saying, "Do this, this and this and not this, and you'll be fine." Having that type of simple understanding of the problem drastically reduced the cognitive overhead of every decision we made.

If you can assess, pull out and stomp on the complicating pieces of the puzzle, everyone's life gets easier. The one I see the most — and this includes at Google too — is that people hem and haw over what the founder or CEO will think every step of the way. Just get their input first. Don't get your work reversed later on. **What a founder might think is classic cognitive overhead.**

Use competition the right way.

Talking about your competition is a good way to add urgency. But you have to be careful. As a leader, your role is to determine whether your team is going fast because they're panicked, or if they don't seem to be paranoid enough. Based on the answer, competition is a helpful tool.

At Upstart, we constantly say that while we're working hard on this one thing, our competitors are probably working just as hard on something we don't even know about. So we have to be vigilant. A lot of people say you should ignore competition, but by acknowledging it, you're incentivizing yourself to set the pace in your market.

You can either set the pace of the market or be the one to react. Whoever is fastest out of the gate is the one everyone else has to react to.

When we were launching Google Apps, we were coming out against Microsoft Office, which had this dominant, monopolistic ownership of the business. We thought about what we could do differently and better, and the simplicity of our pricing was part of it. We offered one price of $50 per employee per year — compared to the wacky 20-page price list Microsoft would drop on you. We didn't agonize over whether it should be $45, $50 or $55 — I think we decided that in a half hour. We just wanted to be able to tell people, "We may not be free, but we'll be the simplest decision you ever made." That was us re-setting the bar for the market and pushing it hard so everyone else would have to react to it.

Rally support for decisions.

Almost nothing in tech can be done in a vacuum. Basically, once you've made a decision, you'll need to convince others that you're right and get them to prioritize what you need from them over the other things on their plate.

Influencing a decision starts with recognizing that you're really just dealing with other people. Even if it's a vendor or another company you need to rally, it boils down to one person first. Given this view, you need to make a point of understanding this person, what their job is, how their success is measured, what they care about, what all of their other priorities are, etc. Then ask: "How can you help them get what they want while helping you get what you want?"

I've seen this done by appealing to people's pride. Maybe you tell them that you used to work with a competitor who was quite speedy so that they have incentive to go even faster. I've also seen this done by appealing to human decency and being honest. You might say something like, "Hey we're really betting heavily on this, and we really need you guys to deliver."

Whichever route you choose, you want to back up your argument with logic. You should gently seek to understand what's happening. I tend to ask a lot of questions like: "Can you help me understand why something would take so long? Is there any way we can help or make it go faster?" Really try to get to the heart of the actions they're taking and the time they've carved out to do it. And if this works, be sure to commend them to their boss.

I highly recommend this over a brute force method of escalating things to the person's manager or throwing competition in their face. That doesn't serve them, and they'll be much less likely to serve you as a result.

> **How can you make other people look good? How can you make meeting your needs a win for them inside their company?**

All of this comes back to making things go as fast and smoothly as possible. When you feel things start to slow down, you have to keep asking questions. **Questions are your best weapon against inertia.**

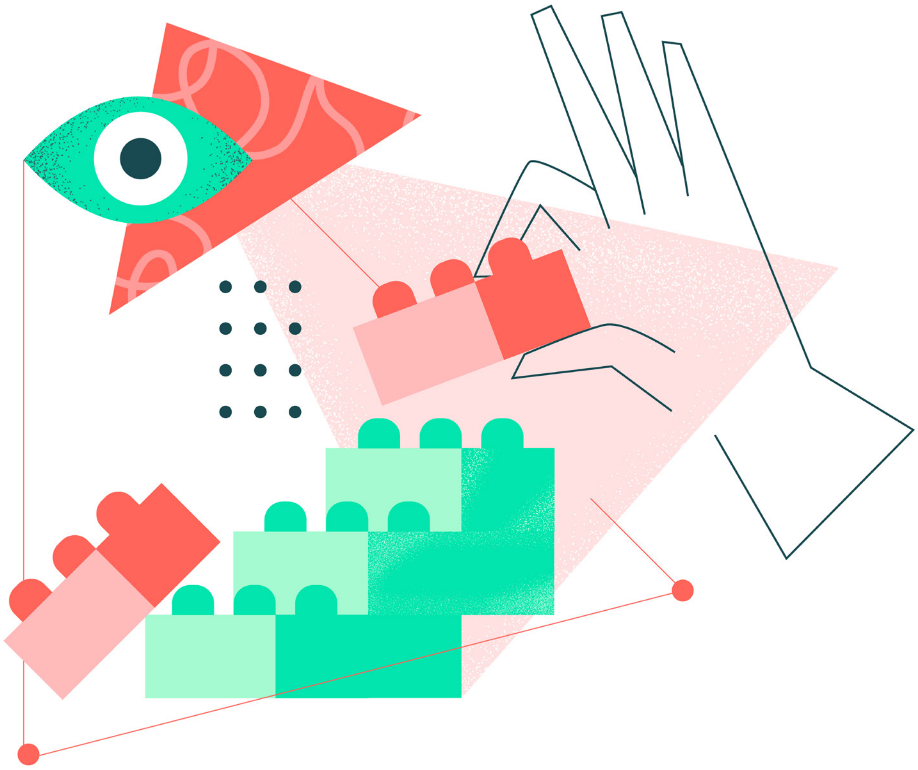
To keep things moving along at Upstart, I ask a lot of hard questions very quickly, and most of them are time related. I know that we execute well and are generally working on the right things at the right time, but I will always challenge why something takes a certain amount of time. Are we working as smartly as we can?

Too many people believe that speed is the enemy of quality. To an extent they're right — you can't force innovation and sometimes genius needs time and freedom to bloom. But in my experience, that's the rare case. There's not always a stark tradeoff between something done fast and done well. Don't let you or your organization use that as a false shield or excuse to lose momentum. The moment you do, you lose your competitive advantage.

TOOLS FOR

Scaling The Company

03.



WHAT'S AHEAD

'Give Away Your Legos' And Other Commandments For Scaling Startups

Molly Graham is something of a scaling expert. As the architect of Facebook's culture, former COO of Quip and former VP of the Chan Zuckerberg Initiative, she's all too familiar with the ambiguity, chaos and stress that comes with doubling or tripling your team every six months. "Scaling companies and teams is crazy hard —and the emotions you feel when new people are coming in and taking over pieces of your job aren't that different from how a kid feels when they have to share their Legos," Graham says. In this article, she shares what early employees and startup founders can do to make it easier on themselves — and how we can all get better at giving away our Legos.

Molly Graham has seen a lot. Her team at Google leapt from 25 to 125 in just 9 months. During her 4+ years at Facebook, the company exploded from 500 employees serving 80 million users to 5,500 employees and over 1.1 billion users. (Her job was to sort out the culture, compensation, and performance systems to help make that possible — no big deal.) And now, as COO of productivity tool startup Quip, she's both laying the groundwork for her team to grow, and catering to a customer base of startups (Instacart and New Relic among them) who have the pedal to the metal.

If there's one thing Graham knows for sure, it's that scaling comes with an utterly unique set of problems. Some of them are funny — like needing to replace everyone's big desk with smaller ones so all the new folks can fit, or moving into an office that's already too small for your growing team. But some of them are far more serious.

"If you've ever watched an extremely high performer go from killing it one year to struggling the next, you know what I'm talking about," she says. "There's a unique feeling of ambiguity, chaos and stress that comes with doubling or tripling your team every six months. If you don't manage scaling proactively, you can end up in trouble."

Here, Graham explains why scaling companies and teams is, in her words (and she's putting it lightly), "crazy hard" and what you can do as an early employee or a startup founder to make it easier on yourself and your team. She covers what rapid scaling actually feels like as an experience (something too few people talk about), the toughest phases of growth and how to survive them, and — most importantly — how you can anticipate the biggest challenges before they really hurt your momentum and your chances for long-term success.

IN THE EYE OF THE STORM

"I think it's important for people to talk about what it feels like to be inside a scaling company because it helps people realize how normal their experience is — and identifying that experience as a leader can actually help your team," says Graham. She saw so many people struggling with the same emotions during her time at Facebook that now she actually gives a talk to people on her teams about it. "I call it the 'Give Away Your Legos' talk," she says.

Let her explain.

"The best metaphor I have for scaling is building one of those huge, complex towers out of Legos," she says. "At first, everyone's excited. Scaling a team is a privilege. Being inside a company that's a rocket ship is really cool. There are so many Legos! You could build anything. At the beginning, as you start to scale, everyone has so many Legos to choose from — they're doing 10 jobs — and they're all part of building something important."

You have so many choices and things to build during this early phase that it's easy to get overwhelmed. There's too much work — too many Legos. You're not sure you can do it all yourself. Soon, you decide you need help. So you start to add people. That's when something funny happens on a personal level and to teams: **People get nervous.**

"As you add people, you go through this roller coaster of, 'Wait, is that new person taking my job? What if they don't do it the right way? What if they're better than me at it? What do I do now?'" says Graham. "These are some strong emotions, and even if they're predictable, they can be unnerving." In order to get to a really high-functioning, larger team, you have to help everyone get through this roller coaster. If you don't, you can end up with a real mess.

> **If you personally want to grow as fast as your company, you have to give away your job every couple months.**

That's why her talk is about Legos. The emotions you feel when new people are coming in and taking over pieces of your job — it's not that different from how a kid feels when they have to share their Legos. There's a lot of natural anxiety and insecurity that the new person won't build your Lego tower in the right way, or that they'll get to take all the fun or important Legos, or that if they take over the part of the Lego tower you were building, then there won't be any Legos left for you. But at a scaling company, giving away responsibility — giving away the part of the Lego tower you started building — is the only way to move on to building bigger and better things.

"Almost everything about scaling is counterintuitive," says Graham. "And one of the foremost examples is that **reacting to the emotions you're having as your team adds more people is usually a bad idea.** Everyone's first instinct is to grab back the Legos that the new kid took — to fight them for that part of the tower or to micromanage the way they're building the tower. But the best way to manage scaling (and one of the secrets to succeeding in a rapidly growing company) is to ignore those instincts, and go find a bigger and better Lego tower to build. Chances are if you pick your head up and look around, there's a brand new exciting pile of Legos sitting right next to you."

That's one of the other counterintuitive things: Adding people doesn't mean there's less work for the people that are already there. It means that the entire company can do more. If one person was managing all of marketing before and then you hire someone to manage your content channels — the person who was doing marketing before is not going to have less to do. It either means that she'll be able to do the rest of her job better, or that she'll be able to take on new things.

"People think, 'Oh, that person joined! Now I can finally work a little less.' But that's almost never what happens," Graham says. "Adding people is the opportunity to find a new job (or the new version of your old job). But this requires individuals to freely give away parts of or sometimes all of their old job — handing over projects, programs, products, code that they probably built from scratch. It means trusting other people with something you care about."

For high performers in really fast-growing situations, this happens all the time. Graham emphasizes that one of the secrets of people who are really successful at fast-growing companies is how rapidly they're able to adapt to the chaos and uncertainty of adding new people. They become adept at redefining their jobs on a regular basis, and they become comfortable with the largely uncomfortable emotions that naturally happen when a team doubles or triples in a short period of time.

At Quip, Graham's job changes every three months. This doesn't mean her title changes, but the content of her work shifts radically. For example, she's gone from basically being the only sales person (and the marketing person too!) to functionally operating as VP of Sales and Marketing. "Every three months, I go through a phase where I'm a little uncomfortable and certain I'm doing the wrong things or operating at the wrong level, but then it passes and I find my new job," she says.

> **A week ago, someone might have told you they hate their Legos and want to get rid of them. But as soon as you hire someone else, they suddenly want to hang on to all of them.**

Graham's had the benefit of conditioning to weather these changes. At Facebook, when they were onboarding 20 to 60 people a week, she got so used to ceding responsibility every three to six months that she considered it part of her job.

Her advice to managers? "Honestly, the best thing you can do is normalize what people are experiencing," she advises. "As a leader, you want to head it off at the pass and proactively say, 'Hey, this is what you can expect to feel during this time of growth. It's pretty universal. Other people are going through the same thing. I've been through it too. There's no need to be scared.'"

Help them understand that the emotional chaos they feel is normal so there's no need to overreact. And in fact, they should often do the opposite of what their instincts tell them: Don't latch onto the Legos you had before. Give them away and move on to building the next taller, cooler tower.

"Listen to the questions people ask during your one-on-ones or in team meetings. When you start to hear a lot of, 'So… why did we hire that person?' or 'Do we really need someone to do that job?' or 'Is Suzie going to take over this project?' Those are the signs that either individually or collectively, you should start talking to your team about giving away their Legos."

One thing you can encourage people to do is not fixate or act on their emotions right when new people come aboard. Instead, tell them to ride it out and see how they feel in three weeks or a month — that's when they should be coming out the other side and feeling better. Maybe set a meeting up to chat after that time has passed to see how things are going. That's a good way to keep an eye on how scale is affecting your team, says Graham.

The next best thing you can do is point to the new bright, shiny tower that needs to get built. At Facebook, one of her closest co-workers had built the beginning of a big project and their manager asked Graham to take it over. They wanted her co-worker to move on and focus on a new area that was even more important to the company, but she had a tough time letting go. "This was actually a very good friend, so it wasn't that she didn't trust me, she was just uncomfortable with giving away something she had started building," she says.

"That's when our boss did this brilliant thing — he gave her a huge goal. He basically said to her, 'We need you to do the same thing over here only five times bigger.' Immediately, my co-worker let go of every single Lego she was holding and ran to the new project because she was so scared and excited. It was like someone had flipped a switch and she was suddenly like, 'Good luck, peace out!'"

> **One of the best techniques for getting people through job-change anxiety is to help them picture the reality of their next job and the size of the opportunity.**

People get lost when they're overly focused on the job they used to have and they can't see what awaits them on the other side of these emotions.

"If you want to be one of these type of people who started at Facebook at 25 people and ended up running a huge department, you have to get really good at giving away your Legos," says Graham. "If you hold on to answering customer support queries yourself or writing all the blog posts yourself, you're never going to run customer support or product marketing."

THE PHASES OF SCALE

Graham says she sees this pattern again and again on teams she's led, with people she's coached, and with startups she works with at Quip. It seems like a fairly universal experience.

"At Quip, we hear from a lot of startups as they grow past 50 people, and as they grow through the 300 to 500 phase. They're looking for new ways to communicate, organize, and increase transparency in their organizations. They start looking for new tools in those moments in part because things are breaking. Those are very uncomfortable moments for scaling teams. It's when teams start to experience a lot of the growth challenges, and when you can start to see problems if you haven't proactively managed your scaling process."

Just as the personal experience of scaling comes with a separate, unique set of emotions, the phases a company goes through each have a character all their own. As either an employee or a partner, Graham has experienced each of these phases in turn, has absorbed the challenges that come with each, and has seen these changes handled both well and poorly.

What follows is a definition of each of these movements in a company's life, with one caveat: Like people, companies are distinct in how they work, look and feel. One startup may still feel like a "chaosfest" (Graham's word) at 150 people, while another might feel bureaucratic and static at the same number. It all has to do with the unique character of the company — how it was founded, who its founders are, its product, etc.

Graham claims that for the majority of companies, the true chaos of scaling (and also the formation of most of your company's identity) happens roughly between 30 and 750 people. After that milestone, the scaling emotions are more team-oriented rather than company-oriented — like "Wow, now engineering is growing so fast!" vs. "Facebook is growing so fast!" These phases and how to handle them apply to team scale as well.

30 to 50 Employees

"There's something really interesting that happens when a company can't fit around one table anymore — things just start to get a lot harder," says Graham. "Where it used to be simple to communicate, people suddenly complain that they don't know what's going on anymore. They don't know why you're making certain decisions. They don't know each other as well. They don't know what they should be doing. I've seen so many companies really struggle in this phase."

> **30 to 50 people is where you go from being a family to being a company, and everything starts to get really hard.**

With under 30 people, everyone knows each other well enough to walk up and strike up a conversation with practically anyone. You don't even need to invest that much in communication. People can turn around in their chairs and talk to each other, and the priorities are clear because everyone's talking about them all the time.

"When things start to change at this tipping point, it's the CEO who feels it most," says Graham. "I've talked to a number of people who are experiencing this and they say it's like night and day. At 50 people, everything that used to come naturally is now a struggle. And as a new leader, you start getting difficult questions that you've never had to answer before. I had a CEO tell me that someone asked them about their career path at the company, and they were like 'I don't know! Why are you asking that? We have so much to do!' Or you have someone ask, 'How do I do XYZ?' and you want to say, 'How do you not know that?!' But it's not their fault. Things have changed. You're a company now — not just a team — and you have to start acting like one."

The best remedy here is to start writing things down — especially the stuff that's never needed to be formal or official before, like mission, values, philosophies. (You can see more of Graham's advice on how to approach writing these things down here.)

"Who we are and how we do things — write that down as fast as you can before you hit rapid growth (ideally)," says Graham. "Yes, that might seem like a nuts thing to do at 25 people when you have so many competing priorities, but it's beyond worth it. At 750 people, you can tell the difference between the companies who did take the time to be thoughtful and record these things and those who didn't."

You also need to over-communicate. Once you've written down who you are and what you're doing in the world, you should always be talking about it constantly. It'll feel like you're repeating yourself every day and every All Hands meeting, but that's probably when you're communicating just enough.

Success at this stage isn't coming up with a bunch of bloated or premature process — it's about developing the right principles. This was Graham's focus when she was helping Facebook solidify its culture. "Before we came up with a compensation system, we created a compensation philosophy that would guide how we'd think about paying people going forward. The philosophy helped us evolve our system as we grew. It more or less still guides the way Facebook does compensation today as far as I know."

Philosophies can answer a host of questions about an organization: What does a high performer at the company look like? What role does feedback play? What is the role of a manager at our company? How can someone fail here?

"Too many founders have this tendency to take a really elaborate process they see working somewhere like Amazon and then just grafting it onto their company — like some huge complex performance management system or engineering roadmap process," says Graham. "At the end of the day, what early startups really need are design principles that tell them who they are, what they like, what they want to select for, and who they want to be. That is what helps you scale."

50 to 200 Employees

"If we're talking about child rearing, this phase correlates to those years right before adolescence," says Graham. "This is an incredibly formative stage where you're still small enough to change major things, people are still able to listen to you and hear what you're saying fairly easily. If we use the metaphor of building a house, this is the foundation — and craftsmanship is incredibly important. This is not where you want to rush things. If you want your team or company to have certain values, to care about certain things, to have diversity (of thought, of identity), the time to do it is in these first 200 people — or the first 100 if possible. After that, a lot of other stuff takes hold."

Hiring is a network effect. The first 100 people you hire will define the next 200.

Google, Facebook and others have all conducted studies about what predicts the performance of a new hire. **The single biggest indicator is who they were referred by.** If you have high performers referring people, you'll hire high performers. If you let low performers stay on staff because you're too scared or insecure to fire them, then you're building your future company in that mold. Early hires plant seeds. And what ends up growing depends on their character and commitment. That also makes this phase the most critical one for firing people (as unpleasant as that can sound).

"The biggest favor you can do yourself, the other people who work for you, and really even the person you're firing, is to just do it," says Graham. "Otherwise you have really great people sitting next to low performers wondering why you're paying them money. It really erodes confidence and has long-term ramifications. Really it should only take a couple months to assess whether someone is a good fit, and one of the healthiest things you can do for your company is — if the answer is no — part ways quickly. It doesn't take a year to get to this answer."

200 to 750 Employees

A company of this size has the temperament and biases of a teenager — and the growing pains to prove it. The personality and habits of the organization are pretty much molded. Now it's all about scaling them as more and more people join. "You're literally going through a growth spurt, and you have to really focus on getting your maturity to match your big feet," says Graham. "A lot of how this phase feels has to do with how good of a 'parent' you were earlier on."

That's not to say you can't make changes at this size. It's just that everything is much harder — and gets increasingly so as you grow. Facebook was able to shift its personality away from moving fast and breaking things to thoughtful, rapid innovation after 700 people. But it was only possible, Graham says, because Mark Zuckerberg was so good at articulating what he wanted the company to do and feel like. After 200 employees, any shift in culture needs to be undertaken very deliberately and with a lot of work by the leadership of the company — the CEO, of course, but also the leader of every major department.

"Think about parenting an average teenager — you have to decide how to handle the bad habits they spontaneously develop. You catch them drinking or doing drugs, for instance. How do you handle it? Maybe it's just the one time, or maybe it's a sign of something you actually need to address. It could be bad later on if you ignore it completely but you also can't overreact."

At an organization, you can see bad habits like people acting like assholes and getting away with it, and you have to decide how to respond. Netflix's famous culture deck declares that they won't accept brilliant assholes. Sounds reasonable, but Graham would assert that there are many companies who do. "So the question is, what do you want your company to be like? When you see a trend over time that you don't like, you need to aggressively manage it. Otherwise you can end up with some really bad habits as a company."

> **You have to pounce on any bad habits that could become part of your company's DNA. Whatever your company looks like at this stage is how it will be, floor to ceiling, when you're older and bigger.**

Over 750 Employees

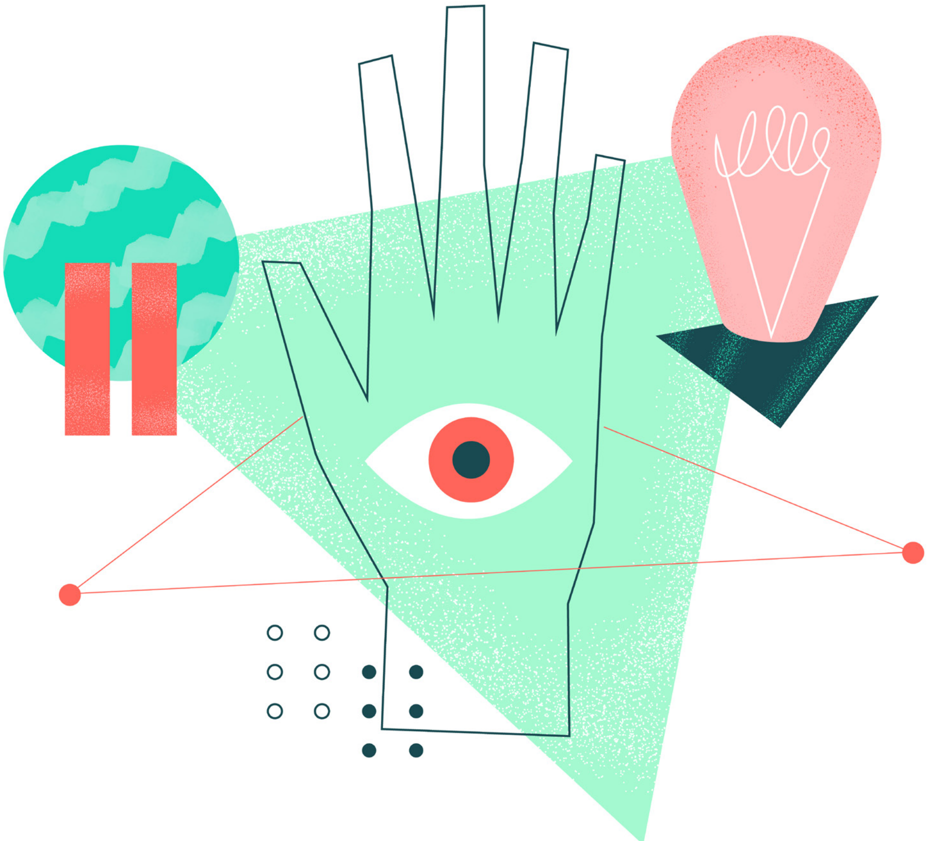
Typically around this point, individual people's identities shift away from the company and toward their team. They become Facebook engineers, for instance, not just Facebookers. CEOs may start to hear questions like, "What does the marketing team even do?"

This is also where politics start to emerge, gradually at first and then with greater momentum. **Graham defines politics as the moment when people start to act in their own self interest rather than the best interest of the company. It's often shocking when it first shows up.** It can be a sign that you hired too quickly or aren't communicating proactively enough about what behaviors will be rewarded, and about what you're doing in the world. Strong, constant communication with the leaders of teams is the only way to keep things healthy. Everyone has to feel that they and their work are clearly tied to the broader goals of the organization. Everyone has to own calling out bad behavior when they see it.

This is also when team leaders should look back at advice for CEOs to survive initial company scale. They can use most of the same tactics to keep their teams humming along without people feeling disillusioned or falling prey to the wrong priorities. You can also find great advice on team scaling from other experts here, here and here.

If Graham had to distill all of this advice into a simple checklist for founders eyeing rapid growth, here's what she'd say:

- **Make a list of the qualities you want your company to embody. Who do you want to be? How do you want it to feel to work there?**
- **Write down what you're doing in the world. What's your vision for the change you want to make?**
- **Communicate these things again and again and again. Through all the channels. All the time. You can't overcommunicate these ideas.**
- **Focus on hiring quality people rather than speed. Don't lower your bar because you need to grow faster. It will come back to bite you.**
- **Fire people. Just do it!**
- **Hire amazing leaders as early as you can and help them grow their capabilities as the company grows.**
- **Prioritize principles over process.**
- **Keep giving away your Legos! And tell everyone around you to do the same. It's going to be okay.**



WHAT'S AHEAD

To Grow Faster, Hit Pause And Ask These Questions From Stripe's Coo

Claire Hughes Johnson is the woman overseeing Stripe's rocketship ascent as the COO. To make sure everything stays on the rails while continuing to accelerate progress, she's developed a list of questions the company periodically asks itself to make sure it's growing ambitiously but responsibly. Here, she shares this list of questions and how startups can and should answer them to enter hypergrowth on the right foot and keep it going for long-term success and market dominance.

Claire Hughes Johnson

Stripe is growing at breakneck speed, and it has been for years. At the beginning of last year, it had 350 employees. Now, having freshly moved into Dropbox's old digs South of Market, it's at 750. But according to COO **Claire Hughes Johnson**, the biggest challenge the company faces isn't bringing enough new people on board. It's integrating them into a complex organism that can't stop/won't stop moving forward. Figuring this out (continuously) is her mandate, and there are few people in tech operating at her level.

Stripe is in a rare and aspirational position these days. While growth has leveled off for many of the unicorns in its generation, it's maintained its rocketship trajectory. When asked what wisdom she has to share from this experience, Johnson offers the following: **There's a list of questions companies should ask themselves as they head into rapid growth — ideally in that relatively brief moment right after clinching product-market fit.**

"A lot of companies don't decide how they want to grow until they're well into their growth phase," she says. "For a long time, your actions pull your company along, and then all of a sudden it switches — your existing business starts pushing your behavior. External forces like feature requests, the need for more customer support, the need to create a team to do X when you never even needed to do X before — those forces start to dictate your decisions."

The key, she says, is pausing just long enough to be very intentional about how you approach each phase of growth.

It's easy to become too reactive, and when that happens, you'll inevitably start to make human resources mistakes, execution mistakes, prioritization mistakes.

So whether you're in that moment right before growth — or you're on your way there — press pause. Read through Johnson's list of questions, and make sure you're answering them as you go.

1. Have we documented our operating principles?

When you hit growth, a lot of unprecedented things start to happen, and you'll feel like you have no guidelines to make good decisions. On top of that, many new people who were not there when the company started will need to make decisions too. They need a framework to help them do that.

This is why you need to document core tenets describing the way you work. Once they're written down, you need to repeat them constantly until everyone has internalized them. Stripe calls them **"Operating Principles."** (Many companies have "values," but Stripe wanted to distinguish philosophical beliefs from the concrete principles that should be applied to the day-to-day work of running the business.) Three of Stripe's operating principles, as Johnson describes them, are:

— **Users first:**
"We always start with what our users need or would like, and then consider things like like infrastructure, internal constraints, partnerships, product roadmap, and so on."

— **Think rigorously:**
"We care about getting things right and it often takes reasoning from first principles to get there. We work hard to detect the errors in received wisdom. Rigor doesn't mean not-invented-here syndrome; we're interested in the world around us and think that other companies, industries, and academic fields have a lot to teach us. But in many cases progress comes from taking paths less traveled."

— **Trust and amplify:**
"We want to work in a company of deeply good people who treat their colleagues exceptionally well. People should be committed to amplifying one another: to going out of their way to help each other in both the short- and long-term."

> **Your principles should be clear and explicit enough that the people who consult them will make the same decisions a founder of your company would.**

They should also be defined in a way that acknowledges potential tensions. When two principles seem to conflict, the context should tell you which principle should take precedence. For example, "think rigorously" is paramount for high impact and irreversible decisions, but "move with urgency" is critical for decisions that are lower impact and potentially tunable. In this way, your core tenets serve more as a guide to action than a toothless list of nice-to-haves.

This also makes them a useful rubric for hiring new people and assessing performance. Do candidates have aptitudes or experiences that align with your operating principles? Do existing employees execute their responsibilities in a way that upholds them? **You should bake your operating principles into both your hiring and performance review processes to make them useful and keep them top of mind.**

When you run post-mortems on projects, evaluate process and results through the lens of your operating principles. "During growth, people can get very outcome-oriented and cut corners on the underlying thought process," says Johnson. "Having principles written down allows you to say, 'Hey, we agreed as a company that we would proceed according to these tenets. How could we have adhered to them better in this situation?' Or, alternatively, 'Do we need to change how we operate to achieve better results in the future?'"

You know you've done right by your operating principles when people start using their language verbatim in decision meetings. "That's the next best thing to having leadership in the room."

It starts with onboarding. **To underscore the importance of Stripe's Operating Principles, they show new hires the company's very first set of principles, written down the year it was founded.** It's striking how similar they are to today's list — which emphasizes exactly how foundational these ideas are to Stripe's success. "It shows what's ALWAYS been important to the company — which really sticks with people," says Johnson. "It also gives us an opportunity talk about when those very few changes have been made and why."

The operating principles play an even bigger role in training for new managers joining the company. "If you're not careful, managers bring whatever rules and behaviors they had in their prior roles — and they have tremendous influence on their teams," she says. "That's why we built a different onboarding program for new leaders, to make sure they really understand the different way in which Stripe operates based on our principles."

This is an all too common failure mode: A startup's founding team uses a set of unwritten beliefs they all implicitly know and agree with to make hiring decisions and product decisions — but they never get said out loud or documented somewhere central.

"So much happens organically when you're on a small team always working in the same room," says Johnson. "You have a lot of informal ability to get things done because you all have an immediate understanding of what kind of decision is being made and how you want to handle it. But when you scale, you can't easily teach that to someone new in a way that they'll immediately understand. They have to be conditioned to understand it."

> **If you're a leader at a company, do you know what these unspoken, unwritten things are? Have you categorized the common types of decisions you need to make? Have you documented the beliefs that guide how you make those decisions? If not, pause, and do that now.**

2. What structure is going to help us achieve our goals?

Along with growth comes the need for formal management. Even if you're committed to staying pretty flat, you need make responsibilities and escalation pathways clear.

"Flatness is really a state of mind," says Johnson. "You can make your org feel flat while still having a good chain of authority in place so people don't have too many direct reports, and there's a clear way way escalate issues. We do it by not having a lot of titles or signals of seniority, because we want all people to speak up and contribute. Whether or not you get included in a meeting is always about how much you know about a given issue or problem, not about hierarchy. But everyone still explicitly knows who their manager is."

This is what works for Stripe. But every company needs to decide on a structure that fits their specific goals. Maybe you need more hierarchy to execute on very complex processes with a lot of hand-offs. Maybe you need less because you want all employees to be immediately responsive to customers' questions without having to double-check with someone else.

> **At the beginning of any company, everyone is doing whatever it takes to succeed. When you enter growth, that no longer works. People need to be connected linearly to success metrics.**

Critical to choosing the right structure is creating ways you will change and evolve it. You want to anticipate that the size and shape and number of people around any given table is bound to change. "It's a good habit to check in every six months to blow up meetings that have gotten entrenched, stale, or no longer productive," says Johnson. "You don't want to get attached to thinking that a certain process is the only way to do something, or that you need a certain combination of people to get something done — I can pretty much guarantee that neither the process or the people will still be right a year from now."

3. Who has been successful at our company so far?

Maybe you've hired 20 people or just 10 — that's still enough to pattern match what kind of person is good at working for your company.

"Take the time to ask: Okay, what kind of people have we hired? Are they a diverse enough group to bring different perspectives and experience to the company? Who's doing really well? Who's scaling at the same pace as the company? What are those people's characteristics?" says Johnson. In fact, making a list of their attributes is a good way to either define, reinforce or tweak your operating principles to make sure they're aligned.

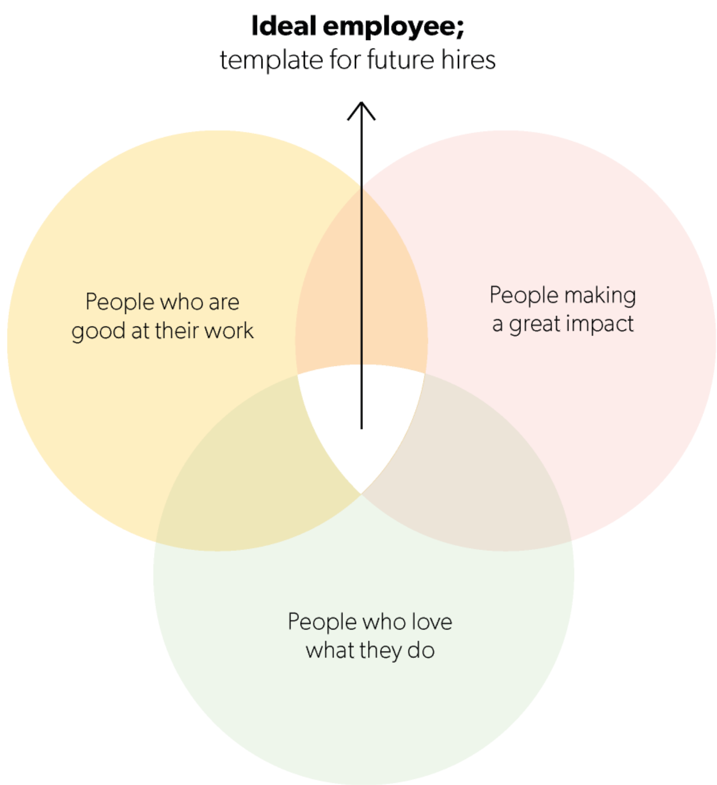
The people who scale with your company are the ones who anticipate what they need to learn now in order to excel at what their role will become in six months. They're curious enough to look ahead. They aren't content with or consumed by simply doing their present job.

When Johnson first joined, Stripe's international coverage was new. There were individual country managers working as generalists to get the ball rolling wherever they were stationed. But as the company grew, these people needed to transition into serious team builders — a few of them eventually running large organizations of their own. Some of these country managers scaled into these new roles. Others didn't because they couldn't gain the skills they needed to build and manage growing teams while producing results.

As the company brought on new country managers for further expansion, they hired candidates based on pattern matching with the type of people who had already been successful in this role. By and large, these were employees who relished the challenge of expansion to such a degree that they were willing to put in the time to learn, asked for constant feedback, and were relentlessly educating themselves about their local markets.

“Look at the people who love working for your company. What do they enjoy? What are they especially good at? What skills set them apart?” says Johnson. **“You want to hire more people who fit the mold of the people who not only have the right skills, but who are having a good time too. Happiness is critical to high performance — happy people get curious and want to learn.”**

She occasionally finds it helpful to plot members of the team on a Venn Diagram with three circles: People who are good at their work, people who are making great impact, and people who love what they do. The ideal employee fits into all three circles. Make a list of all the people who fall into this bucket. What other qualities do they have in common? **What questions can you ask during recruiting to suss out whether a candidate shares those qualities?**



4. Do we have a 5-year plan?

Johnson is a big believer in companies writing down a long-term plan. But the key point is: **it shouldn't be long**. It shouldn't be some monumental, time-consuming ordeal. It should be as simple as three to five paragraphs briefly describing the biggest, macro goals the company wants to make sure it's pursuing over the next five years or so.

For Stripe, this document includes: "Arming online companies of all sizes with the infrastructure they need to build their businesses and compete in the global economy."

> **That's something that we can continually ask ourselves, 'Is what we're doing right now in alignment with that goal?'**

Johnson worked on the first draft of this document with Co-founder Patrick Collison. The entire leadership team workshopped it for a few weeks, and then it was published to the whole company.

"Your startup deserves constitutional documents to guide your actions as you grow," says Johnson. "Once you've defined how you want to work, the best structure for your company, the type of employees you want to work with **— this document outlines what you're harnessing all of these resources to accomplish."**

As part of developing the plan, the executive team got together away from the office and designed a day that was entirely focused on the task at hand. "I find that a lot of people talk about achieving **'flow state'** as an individual — that feeling of being so at one with your work that you're able to be more creative and develop new ideas," she says. **"Very few people talk about how to get into flow state as a group. But they should.** When we do planning, that's what we try to get to — a shared sense of purpose, with all our brains trained on one outcome." She recommends this approach to companies looking to develop a longer-term approach.

Also important: the plan you publish should be stored somewhere central where it can be easily referenced. And it should be core to new employee onboarding, alongside your operating principles. **It may be tweaked over the years as you learn about your business or customers, but ideally, the goals you enshrine in it should be so intrinsic to why you founded the company that they don't change much.**

"When making product decisions, you want people to reference the plan — 'Is this new idea or feature serving our overarching objectives?' Or 'should we launch this thing even if it doesn't serve any of our 5-year objectives?' Your constitutional document empowers people to ask and answer these questions so your company doesn't get distracted from the things you absolutely believe you must do to succeed."

> **Once you get traction, suddenly everything is an exciting opportunity. A long-term plan forces you to make good decisions with limited resources.**

5. Do we have a way to measure the employee experience?

To Johnson's previous point that happiness is core to high-performance, she believes every scaling company needs mechanisms in place to gauge and respond to employee satisfaction levels. Stripe, for instance, surveys its workforce every six months. "This might seem really frequent for a company our size, but when you're growing this fast, things are always changing. It's important that we keep tabs on how people feel about our direction."

The survey is around 75 questions long, and takes about 10 minutes to fill out. The results are anonymous and analyzed on a rolling basis by the executive team. Questions include rating the extent to which individuals agree or disagree with the following statements:

- **I can see the relationship between what I do and the overall goals and objectives of Stripe.**
- **I have enough autonomy to perform my job effectively.**
- **I am appropriately involved in decisions that affect my work.**
- **I have the opportunity to do what I do best every day.**
- **I have opportunities at work to learn and grow.**
- **I would recommend Stripe as a great place to work.**

For Johnson, the most important question on the survey measures: "Do I feel a direct relationship between the work that I do every day and the success of the company?"

"It's so important that people really feel connected to the impact of their work, and feel that they're producing important business results," she says. "It's one of my favorite litmus tests for whether the organization is healthy or not."

While Stripe has performed well on this question to date, startups can use the results of this query to determine what to do next. If you get a negative response to this question, it's likely that you've overstaffed, so that some people feel like they're just doing busy work or they're responsible for too small a fragment of the company. The other reason you might be getting this result is if either senior leadership or people's managers aren't very good at articulating the company vision and how it relates to the responsibilities at hand. Johnson recommends collecting sub-data on these questions to diagnose what the problem is. Regardless, it's vital to fix it.

"I've seen a lot of mid-level managers be reluctant to own a founder's vision, so they end up only weakly communicating how their team's work is relevant to the organization's mission," she says. "The best managers make it their highest priority to connect the work their team is doing to the big, ultimate goals the company is working toward."

> **If you as a leader don't believe that the work you do every day is important, your team isn't going to believe it either. That puts you in a very dangerous spot.**

6. Are we decentralizing decisionmaking?

One of the biggest challenges any growing company faces is equipping employees with the information, agency and confidence to make decisions for the company on their own. As a founder or executive leader, you can't always be there to make a call. You have to trust that others can do it in order to keep pushing the frontier of your business.

To make this possible, Johnson subscribes to the same method as medical residency programs: **See one, do one, teach one.**

When you're a surgeon, this is how you learn — and how you eventually become qualified to make snap, life-altering decisions in the operating room. This is also how you can train people up at a tech company **— demonstrate how you want work to**

be done, have them do it themselves, then have them teach new people who are being onboarded what they've learned. The act of teaching, in particular, is powerful for internalizing information and making actions second nature.

This is how Stripe has empowered people to make good decisions, no matter how many steps they are away from the founders. For example, when Patrick and John Collison started the company, they had very clear opinions about the brand they wanted to build — particularly the design philosophy. They believed strongly that the software should be beautiful, which differentiated them in their B2B market. Over time, this has distinguished Stripe as a leader in the field.

To make this possible, the founders had to pass on their design sensibility to a team of new people who would carry it forward the way they would have themselves. When the design team was just starting out, the founders created a design review process that would allow them to offer their opinions and ask guiding questions at checkpoints along the way. Eventually, the design leaders on the team took this over as they brought on new members — asking the same set of questions at the same checkpoints. They became the teachers for a new crop of designers who would then learn the criteria, questions and goals to consider when designing something new.

A similar process was established on the business side: deal review.

"The initial decision makers on deal terms were those of us who led the company," says Johnson. "We no longer review every deal, and we'd be failing if that were the case."

Stripe's leadership still maintains a deal review for unusual deals. Documentation is critical to supplement the impact of these review meetings. **It's important that you start categorizing the common decisions teams have to make, so you can create rules and methods around how to make them.**

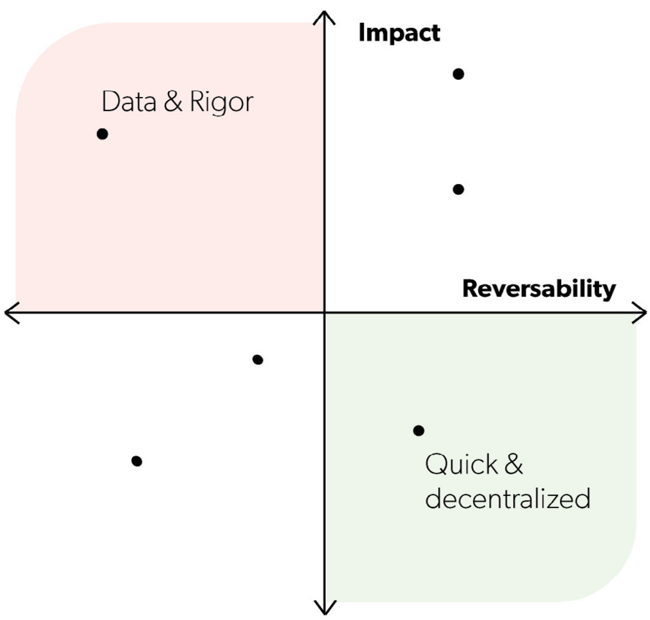
"For example, we've streamlined how to handle deals with similar structures," she says. "We'll be able to identify a type of deal based on a list of criteria, and we'll be able to respond with the right type of contract. It accelerates everything and makes it easy for people on the front lines to respond without always checking with their managers — and it provides a better experience for customers coming to Stripe."

Importantly, there are also set procedures for when new types of deals or decisions are encountered. "When an employee sees a new type of deal for the first time, they know exactly how to elevate it, and who needs to be involved — instead of running around asking a bunch of people. They don't try to graft an existing process to fit a new situation. They're triggered to pause and carefully consider their next step with the deal review group."

To help everyone with these decisions, Stripe has published a framework internally. Here are the basics:

> **If a decision is reversible and relatively low-impact for the company, an individual should be able to apply their best judgment based on the company's operating principles and plans (this is where those documents become key). This could include UI changes, customer service responses, etc.**

You can think of this in a two-by-two format where impact is on one axis and ability to reverse or bounce back on the other. Most projects can be plotted somewhere on this chart. Based on where they land, you know better how to proceed.



For Stripe, this has minimized the number of people who aren't sure if they can make a decision on their own or not. And it's minimized the time they spend checking with their managers and getting validation. Combined, this has saved significant time and resources for the company.

Using this framework to empower decision making has also been replicable and scalable. Employees who are familiar with it can now pattern match which types of decisions require which types of actions — without predicting every single type of decision that could be made in advance.

"This is very high leverage for us," says Johnson. "There are many companies out there that get really into decision rights — like who's allowed to decide what based on seniority or role. In my experience, this doesn't work when you need to move and grow fast. I've been at companies where people will say, 'Talk to these three people and then you can go ahead and decide.' Those three people inevitably become a bottleneck, and a bunch of other people feel like they don't truly have ownership of their work."

To grow successfully, you need to keep pushing the ability to make decisions down through the ranks, so that the people closest to the work can make high-quality, responsible calls. Stripe makes it a priority to localize decision making as much as possible.

> **Not localizing problem-solving is a secret killer of companies.**

"If you don't consistently teach more and more people how to make the decisions or find resolutions consistent with your company's goals, you're going to stall out," says Johnson. "Trust saves a huge amount of time."

Nearly all of the questions you should ask before you scale are about making trust central to your company's operations. As a founder, can you trust hundreds of people — including many new people every month — to do their work the way you would do it? You'll only be able to answer yes if you trust their judgment, and the only way to trust their judgment is to — above all — hire well. Beyond that, provide the people you've hired with the information, resources, tools, and mental models they need to understand your priorities, intent and objectives.

If you can supply these things, you'll be on your way to creating a multi-brain organism, smart enough to take on multiple, enormous tasks at the same time. You'll be capable of launching a big new feature set while also restructuring compensation. You'll be able to keep your hiring engine firing on all cylinders while jumping on an emergency need from a marquee customer. This ability to parallelize complex actions is a whole new plane of existence for companies. And if you're just headed into rapid growth, it's the goal you should be targeting from the beginning.

Photography by Christophe Wu.

TOOLS FOR

Crafting Culture

04.

WHAT'S AHEAD

Fighting Factions: How Startups Can Scale Without Muting

Between them, eero's David Loftesness and BCG Digital Ventures' **Alexander Grosse** have held engineering leadership roles at Twitter, SoundCloud, Amazon/A9, issuu and Nokia during periods when hot products demanded that those companies stretch in new ways, and fast — leading to both the brilliant and bleak moments of scaling teams. Throughout their careers, they've noted a silent force that can be particularly damaging to a fast-growing company: factions. Here's how to anticipate and combat them. Because if you're going to launch the proverbial rocketship, you need everyone focused on the same destination, not wrestling over the controls

David Loftesness and Alexander Grosse know a thing or two about hypergrowth. You might say they wrote the book on it.

Between them, they've held engineering leadership roles at Twitter, SoundCloud, Amazon/A9, issuu and Nokia — in many cases, during periods when hot products demanded that those companies stretch in new ways, and fast. Now Grosse, Director of Engineering for BCG Digital Ventures, and Loftesness, the Head of Platform at eero, have lived through both the brilliant and bleak moments of scaling teams.

Throughout their careers, they've noted one problem that can be particularly damaging to a fast-growing company: factions. Because if you're going to launch the proverbial rocket ship, you need everyone focused on the same destination—not wrestling over the controls.

In this exclusive interview, Loftesness and Grosse look at five areas where startups can either take action to deactivate destructive factionalism or even prevent them from forming in the first place. They share concrete processes for regaining the efficiency that leaders might not even realize they're losing to competing mindsets and poor communication. Through these tactics, they show through specific scenarios why empathy is just as vital to a startup's success as innovation.

THE DISTINCTION BETWEEN TEAMS AND FACTIONS

Business leaders have thrown out various rules of thumb for when a startup gets too large to function as a single unified team. Some say it's around 50 people. Jeff Bezos famously prefers to stick to the smaller "two-pizza team." But factionalism has its roots less in a hard number than in a shift in attitude. "Sometimes you have a ten-person team and you already have five factions," says Grosse. "They may be divided on interpretations of company goals or different departmental philosophies. One thing's certain: it can start very early, and, if unattended, it'll get worse the larger the company gets. You have to zero in on it from the get-go."

So what should startup leaders look out for? In general, any sign that single-minded collaboration toward a shared goal has been replaced by team- or department-specific priorities. Startups generally begin with a single tight-knit group, breaking into teams as they grow to provide focus around a particular problem domain or business goal. "But those teams are never independent of one another. There are always dependencies," says Grosse. "If communication between those groups doesn't work, then you create a fertile ground for factions. You get factions when teams cannot seem to collaborate because of differences in vision, differences in working styles. Perhaps there's even mistrust between the teams."

Competition between teams isn't necessarily unhealthy; the energy it breeds has fueled many a startup to success. It is, in many ways, a cousin of collaboration: when people are hustling to achieve some result faster and better, it's because they've agreed on a shared goal. Competition, done intentionally and openly, lets a team pursue multiple approaches to their goal and more quickly identify the best one.

> **The dead giveaway of a faction is when people aren't competing by the same rules—they're playing their own game, whether they realize it or not.**

"I define a faction as a subset of the company that starts to put its own priorities before the priorities of the company. It may form for a range of reasons: they've got a particular ax to grind with a colleague, a specific goal they believe is more critical than the current priority, or a distinct way that they want to do their work — and that becomes more important than building a great business. Then you've got a faction," says Loftesness.

If your team is no longer working together toward a shared vision for the company, it's time—past time, really—to do something about it. Here are five areas where positive action can prevent factions or mitigate them before they fester:

1. HIRING

"Everything begins with hiring. The seeds of factions start there," says Loftesness. "The number one mistake companies make is not hiring people with values that are consistent with the founders' vision."

You hear a lot of talk about "culture fit" in Silicon Valley and beyond, but Loftesness has found that the term implies the wrong kind of homogeneity — and can actually discourage genuine collaboration. What you're really looking for is a values fit. "I think that's a way that you can allow for broad-based hiring — hiring for differing backgrounds and perspectives — which can be helpful when you're trying to build an innovative product."

For his favorite example of this principle in action, Loftesness leaves tech behind and considers that most famous team of rivals: President Abraham Lincoln's cabinet. "In her book about this, Doris Kearns Goodwin describes how Lincoln convinced the rivals that he beat for the nomination to join his cabinet, knowing that they bitterly disagreed on key issues. Lincoln's ability to use divergent perspectives to inform his decisions may have saved the country. Despite their differences of opinion, they all believed in democracy. They all believed in a government of the people, by the people, for the people. Nobody disagreed with that. What they disagreed about was how you manifest those principles in the specific practices of government."

In all the hustle to find product/market fit or resonant branding, don't forget to establish your company's immutable values. And be precise; explicitly defining each one is part of predicting and preventing conflict. At eero, for example, ambition is a core value. "Ambition can express itself as getting to the next rung of a career ladder. Or it can be defined as bringing on people who are driven by new challenges in an entirely different space than where they were classically trained, which is part of how I ended up working on a hardware product with a software background," says Loftesness. "Our founders were bold enough to jump into an entirely new area and successfully ship an innovative product, and that's a quality we want to see in our new hires as well."

The interview process is your first and best opportunity to prevent factions from forming. Learning how candidates — your future colleagues — interact with people and how they handle conflict is key. Of course, few people will lead with “It’s my way or the highway!” in an interview. Here’s how Grosse and Loftesness recommend subtly sussing this faction-building mindset out:

Ask candidates about conflicts — note if they focus more on plot or perspectives. Even if you haven’t had time to fully flesh out your company values, hiring for empathy—the ability to see a colleague’s perspective, and understand needs that compete with one’s own — will serve you well.

There are a number of approaches to try. When interviewing engineers, Grosse likes to ask about a conflict they’ve had with the product team. “When it comes to tech debt, there’s a common conflict between making things right and getting something out the door quickly to get feedback,” he says. “I just want to hear that engineering candidates understand the views and the needs of the people on the other side of that debate. I don’t want to hear that they agreed with everything, but I want to know that they understand that it’s that balance that helps generate the best business outcomes.”

Folks that don’t have empathy will talk about the surface-level detail. “They recount: here’s what we’re fighting about, here’s why I was right and they were wrong, here’s how we resolved it. In those cases you’ll often hear about escalations to management or some kind of power play,” says Loftesness. An empathetic thinker, on the other hand, will seek to understand and articulate the root of the conflict. “They’ll be able to say, ‘Here’s what I was feeling. And here’s why the other person was feeling differently.’ Reaching this understanding requires empathy and is often the surest path to resolution.”

Test an ability to empathize with one of Loftesness’ favorite interview questions: How do you know what you don’t know, and what do you do when you realize that? “The intent is to determine whether candidates, particularly for leadership roles, know how to seek and incorporate outside perspectives,” says Loftesness. “Dig into specific examples. You want to hear a demonstrable willingness to hear fresh ideas — even if they don’t ultimately adopt them.”

Inquire about a specific type of collaboration: cross-disciplinary teamwork. “I’m passionate about cross-disciplinary teams, so I usually ask people how their teams worked at former companies. What cross-team interactions are they used to?” says Grosse. “This line of questioning is particularly critical for more senior hires, or anyone who’s spent their career in a corporate environment, where siloes can form. That’s not to say those candidates can’t thrive in a startup—but you need to ensure that they can and want to work with far less structure and hierarchy than they’re used to.”

To get to the heart of this question, ask: What would you improve, if you had complete freedom to change how your team was structured and worked?’ What you’re looking to see is if they naturally incorporate other functional areas and perspectives into their team structure or process. "Give extra credence to candidates who have an instinct for blending perspectives and teams to enhance their overall strength and scale back their weaknesses," says Grosse. "For example, I remember one candidate who was a front-end engineer, who had taken UX courses to better communicate with the user experience team. While those disciplines share some common language, he wanted to be fluent in their 'dialect.' I was impressed by his drive to more precisely and effectively connect with another discipline."

While these questions are important for any role, when it comes to preventing—or inadvertently enabling—factions, your first leadership hires are particularly influential. New managers often quickly take over the hiring process for their area, giving them an outsized role in setting your company's tone. "There's a multiplicative effect. The people that they hire are likely to share whatever is most important to them," says Loftesness. "If your company's hiring process is focused on experience or technical savvy or sales performance but ignores the candidate's core values, you're vulnerable. Your managers are free to hire people who check those checkboxes but have different values than the rest of the company. A penchant for cross-disciplinary collaboration is not a complete failsafe, but is a strong proxy for looking beyond one's immediate scope of work. That's crucial for growing early-stage teams into cohesive organizations."

Hire for the company, not for the team. Tactically, there are a number of ways to make that happen, but they all share one technique: incorporate a variety of perspectives into your interviewing process. Any interview panel should include people from different teams, seniority levels, and disciplines. As your company grows and ages, interview panels should also include voices from both the old guard and the new.

Importantly, those outside voices shouldn't just be there for show. Give them real sway. At SoundCloud, Grosse recalls, every interviewer had veto rights, with few exceptions. Many other companies have adopted the concept of an interview "bar raiser," pioneered by Amazon.

"Amazon went through a period of recognizing that its hiring practices were not as thorough as they should be, which led to a lot of performance problems. As a response, leadership identified individuals who had been the most consistent in hiring the best people—and saying no to the wrong people—and were willing to stand up and be vocal," Loftesness says. "Hiring managers are under pressure; by the time they have an open req, odds are good that they needed it filled yesterday. Infusing the hiring process with trusted interviewers who aren't directly affected is the best way to ensure that long-term commitments aren't sacrificed to short-term needs."

2. ONBOARDING

Hiring for shared values is step one. Establishing an environment where every employee feels included and part of a larger whole is step two. "Onboarding is way more than a tour through the office, showing hires their new desk and the coffee machine.'" says Grosse. "It's when you get the information and access to the people necessary to do a good job."

Practically speaking, onboarding is also when new employees have the time to learn about the company, and meet colleagues they might not otherwise encounter. "This is the time to introduce them to each function — the data team, the tools team, the sales team, the product team, you name it — before they get buried in their day-to-day work," says Loftesness. "Fostering an understanding of what each team does, what their challenges are — the basic act of putting names to faces after a meaningful interaction — is a great way to sidestep factions down the road."

The specifics and demands of your business will dictate how much time you can spend on this interdepartmental "get-to-know-you." But even a few half-hour meetings with colleagues in various departments can make a big difference. On the other end of the spectrum, formalized, week-long (or longer) rotations on different teams can establish even stronger bonds. Here's how a few companies have approached onboarding:

"eero just launched a 'shadowing program,' where new colleagues from other departments get a day-in-the-life view of your job," says Loftesness. "The sales team, for example, actually takes engineers, CX reps and managers out to a Best Buy, walking them through their retail training program. They see first-hand the end caps and how the product is positioned. They get to really experience the life of the sales team."

At **Amazon**, where customer satisfaction is paramount, Loftesness, like all managers of a certain seniority, was required to spend several days training as a customer service rep. "The 'Customer Connection' training was an eye-opener, I've got to say. It was incredibly motivating, too. The problems you thought your team needed to focus on would shift when you actually saw what real customers' frustrations were, and where there were opportunities to make them happier," he says.

Issuu goes one step further than shadowing, and actually delays team assignments for engineers until they've completed a robust onboarding process. First, new hires spend a week with every team. "After those five weeks, I usually sit together with the new engineer and maybe two team leads, and we decide on a team for their placement. It's always a compromise between business needs and the personal preference of the engineer," says Grosse. "In some ways, this onboarding process is an extension of our hiring process: it only suits engineers who we want to attract — those who are open to a broad range of challenges. But regardless, it encourages deeper engagement in the onboarding process. When you assign the team before onboarding, new hires have less patience. Understandably, they want to contribute to their team and be successful. If they don't know who their team is, they usually are more curious about the company, asking: 'Hey, what's here, what's there, what's interesting? Where can I contribute?'"

David Loftesness

Once you grow beyond five or six teams, or start hiring employees at a faster clip, a rotation-based onboarding process may be impossible to scale due to the sheer number of teams. But while growth complicates certain onboarding practices, it facilitates others. “At a certain scale, you’re growing so fast that you might have five to 10 or more employees starting in a given week. Take advantage of these new hire cohorts and help them to bond like a freshman class at college. Even without team rotations, they can use these personal connections to learn more about other teams. It’s a particularly effective way to formalize onboarding without sacrificing rigor,” says Loftesness. “Plus, those cohorts will likely end up in different departments, and they will form and facilitate connections and empathy. When people have friends in other parts of the company, that can be a really useful way of knitting those teams together over time.”

Make room in your onboarding process for informational check-ins with key cultural gatekeepers, too. “Get new hires in a room with your veteran employees, for example, to maintain a thread to your earliest days. Encourage them to share stories, both difficult failures and energizing successes. This can give the new folks some perspective of what the old-timers went through to get the company to where it is today,” says Loftesness. “At Twitter, it was really common for a newbie to come in, look at some cruddy Ruby code in the Monorail and think, ‘Oh my god, what were these people doing?’ But once you’ve heard the origin story for that bit of code, how it saved the day at two in the morning, just before the Grammys, when the site was about to fall over, you’ll have a lot more empathy for what the old guard went through.”

3. TEAM TRANSFERS

Fostering an exchange of ideas and perspectives at the outset is just a start. For long-term sustainability, startups should champion a culture of mobility throughout an employee's tenure. Grosse encourages leaders to not only put flexible transfer policies in place early, but also to actively encourage people to pursue them.

"In your one-on-ones, of course you want to encourage people to think about what they want to be doing. But for many, the conversation is restricted to what one can do on her existing team or later in her career. There are clearly other opportunities to discuss beyond those two focal points. What about roles on other teams at the same company?" says Grosse. "Try kickstarting this conversation by asking: 'How excited are you with your work on our team? Are there projects on other teams that intrigue you?' That's key for any team rotation policy to actually work. If you've stacked your team with secure, values-motivated managers, everyone should see happy staff as a net positive."

Introduce internal-transfer policies early — and don't hire managers who focus on headcount.

Other times, internal transfers can actually cure what ails you. Loftesness recalls working with a team that built technology used by a number of internal clients. Many of those clients were frustrated with the quality of the work. "When it didn't improve, we needed another way forward. It's not always about a team's lack of effort, but their lack of exposure to the challenge at hand. Sometimes describing the problem at regular intervals isn't enough — you have to embed someone who's living through it," says Loftesness. "So, we actively encouraged a tech lead from one of those client teams to join and lead the technology team. Not all problems were resolved immediately, but overnight, the nature of the relationship changed."

There was an infusion of empathy, as a former internal client saw firsthand the challenges that technology team faced — and communicated it to his former team on the other side. The struggling team, too, got direct insight into what the client needed. "What they needed was not just a new manager, but a translator — someone who could be fluent in both team's realities. Leadership can use this technique to defuse tensions when they notice them occurring," says Loftesness. "Actively rotating people through a team can really bring fresh perspective and a deeper understanding of the other side."

Internal transfers may not be as simple as swapping personnel. In many cases, they also require additional training or education. But still, the investment is well worth it. Startups need to retain their star employees, and doing so might mean empowering them to pursue new interests. And that's better within company walls than out the front door and someplace else.

Grosse recalls an infrastructure engineer at SoundCloud who grew particularly interested in machine learning and information retrieval. "So we gave him time every month to do Coursera courses. Then he switched to the discovery team, and brought all his infrastructure knowledge with him," he says. "Last time I checked, he'd been with the team for four years and is very content."

Alexander Grosse

Give employees the freedom to move and the time to learn, and you'll reap many benefits. It's much harder for factions to form when people are happy with their work environment — and know that they'll be supported in making changes when they're not. Don't be afraid of those transfers — it's easier for your people to trust and collaborate with another team if you've previously been a member of it. It's just another manifestation of that key antidote to factionalism: put company over department.

If you're nervous about disruption from team transfers, or if it's too early in your company's life to make that option available, there's a lighter-weight place to start: cameos. Grosse pioneered the concept for the engineering team at SoundCloud, and it quickly became a cornerstone of the transparent internal communications that keep the multinational company humming.

"I got the idea from a talk by one of Stripe's founders about their total transparency. Basically employees can go to management meetings — even board meetings," says Grosse. "So I started opening the engineering leadership meeting to any engineer. Their only duty was to send a written summary of the meeting to the whole engineering team."

Immediately, Grosse saw two benefits. The first and most obvious was a greater understanding of goals and process across the engineering org. The second was equally powerful: it forced leadership to think more carefully about how that meeting was run and ensure that it was something they wanted their team to see and hear. "To be honest, those meetings were kind of a shit show before that! Then suddenly we had a guest coming, and it was a completely different meeting."

Don't be afraid to think — and act — outside the box. If you have a hunch that something might bring teams together, try it. Loftesness recalls hearing a story from Marc Hedlund about his time as VP of Engineering at Sana Security. The leadership team was grappling with the age-old struggle of engineering versus sales, so they decided to try something new.

"The VP of sales delivered a typical sales pitch to a simulated customer in front of the full engineering team, with a Q&A session afterwards. The benefits were huge: It was obviously very rewarding for the engineers to speak up about the most outlandishly sales-y claims, and make sure the VP of sales wasn't selling vaporware," says Loftesness. "But some of them also went back to their desks and started working on those crazy features. They saw that the VP of sales wasn't pitching them to be a jerk — he just knew what was going to motivate current and potential customers."

4. TECHNOLOGY SELECTION

Compared to big-picture concerns like hiring and career advancement, the bug tracker or workflow tools you use may seem like relatively minor details. But in Loftesness' experience, those choices reflect bigger-picture dynamics at play.

"Divergence of vision or divergence of values will often express itself in the form of already established brand tribes or allegiances. Like arguing about Emacs versus vi, or Trello versus Asana, or Java versus Scala. It may seem like it's a trivial, surface thing. You might say, 'Oh it's fine if people want to use their tool, as long as it gets the job done.' But I think it's really important to look deeper and actually ask: does this represent a more fundamental difference?"

Twitter's engineering organization, for example, spent years trying to bridge the gap between the Java and Scala camps. "One group felt like, 'We don't need fancy language features. We just need to be able to hire people that can understand our code and ship things for the business as quickly as possible with reliable tools," says Loftesness. "The Scala camp would counter: 'No, we actually care about certain language features and believe they will lead to higher-quality code. We're willing to put up with a little funkiness in our tools.'"

Sure, on one level it's a classic engineering debate. But there's a much deeper philosophical issue at play. "It raises the question: What's more important? Is it shipping code quickly, or shipping the right code? Those values-based questions have broad implications and letting technological divides deepen is a recipe for factions," says Loftesness. "It took us years to come to a resolution. And in the meantime, teams grew and those divisions persisted and hardened throughout the company. It led to other conflicts between those groups — and even departures."

To nip those ideological-based factions in the bud, seek out the torchbearers in the factions. The leaders may not be the most senior members in the factions, so look for exhibitions of influence. Once you find them, consider the following plan: "When two managers are at loggerheads, ask them to collaborate on an unrelated project. Perhaps you've been meaning to revise your hiring or promotion process. Ask them to step up and work together to get the job done," says Loftesness. "Make it clear to both of them what the goals are — and that you expect them to set aside their differences for the good of the company. If they realize their success — or failure — is tied together, they have extra incentive to find common ground. And, most importantly, will take that new level of understanding back to their 'factions' once they've finished. That newfound empathy can dissolve factions — I've seen it."

5. TEAM AND OFFICE STRUCTURE

Clearly, Grosse and Loftesness are big proponents of cross-functional teams, which they prefer to call "delivery teams" to emphasize that they're aligned around a shared objective. "It means that a team should be composed of everyone who is needed to deliver a product, service or experience," says Grosse.

"I see a lot of startups say, 'Okay, we need to hire a lot of engineers because that's how we'll get stuff done.' Developers get hired, get hired, get hired. And other roles — in product, marketing and design, for example — get neglected, become short-staffed and overloaded. I've seen this happen. When it does, you'll be able to easily find your product manager. He'll be the one running around like a headless chicken," he says. "But building larger teams without the infrastructure to support them is not only counterproductive, it can also breed frustrated factions as engineering teams find themselves vying for the same resources."

> **Don't just add more bees to the hive. You can actually make your output worse by hiring more engineers.**

In preparation for one particular release at SoundCloud, leadership asked him to hire more front-end engineers to boost productivity. But first, he went to his teams to ask what most kept slowing them down on a daily basis. "Everybody said, 'We only have one designer. And every time I have a question about a design, it takes me seven days to get an answer.' I realized that hiring more engineers would actually make the problem worse. Instead, I needed to hire more designers."

Building cross-functional, product-oriented teams means supplying the resources they need, but also demanding that they take full ownership of their deliverables. "When I joined issuu, one of the first things I did was dissolve the QA department to improve quality. I know that sounds counterintuitive," says Grosse. "There was a little chaos for a week or two, and then teams embraced it and quality improved. They realized that we had to own our own quality — a key value for our team — especially since we didn't have another team to rely on.'"

Embedding all the resources a product demands in a single team — engineering, marketing, operations, and more — fosters resilience and, in most cases, best supports scaling efforts. "When you keep disciplines separate, then you have battles between sales and marketing, or development and QA. Without collaboration, these groups end up just throwing things over the wall to each other," says Loftesness. "But if they're actually sitting together and working on a common problem, that's less likely to happen."

As companies grow, the very notion of "sitting together" can pose logistical problems. But this isn't a reason to abandon cross-functional teams. When it comes time to add a second location, Grosse and Loftesness urge leaders to think carefully about who goes where. "At one company, we had a problem for a long time because all of management was in San Francisco, and we had an engineering office in Europe, nine hours away," says Grosse. "Obviously it was very difficult for each office to understand what the other needed, because they were so distant from each other. That created all kinds of conflicts."

It's an increasingly common problem, particularly as startups seek to find untapped, and often lower-cost, pools of engineering talent. But in Grosse's experience, whatever you might save isn't worth the loss of efficiency to confusion and strained personal connection. So he made a simple rule: **one product, one office.** This meant that all the resources needed to deliver that product were based in that office and could be grouped into cross-functional "delivery teams."

> **It's a common factions fail case. Different locations battling. Or the mother ship versus remote offices.**

Loftesness lived through the challenges of multiple locations during his time at Amazon, when his Palo Alto office found itself at odds with a team out of the company's Seattle headquarters. "My team owned all of product search for Amazon. But there was a team in Seattle — they were very creative and innovative — that had identified a way to use personalization technology to actually make search better," The trouble was, they put innovation above all else, and started running A/B tests on the search pages that we were responsible for. We were getting paged when there were bugs in the middle of the night. So that definitely exacerbated the tension. Both teams got stuck in their way of thinking — innovation versus reliability — and wasted energy looking for the other team's fail cases to make their points."

Ultimately, though, those A/B tests were proving that the new technology could have a big impact on Amazon's user experience — and its bottom line. "We started calming things down by having a weekly call to share notes and projects, which began a little bit of healing," says Loftesness. "But both sides ultimately agreed that the new technology needed to be transferred to the search team so we could incorporate it into our technology roadmap. This would avoid both technical and human conflicts, and the other team could focus on new innovations."

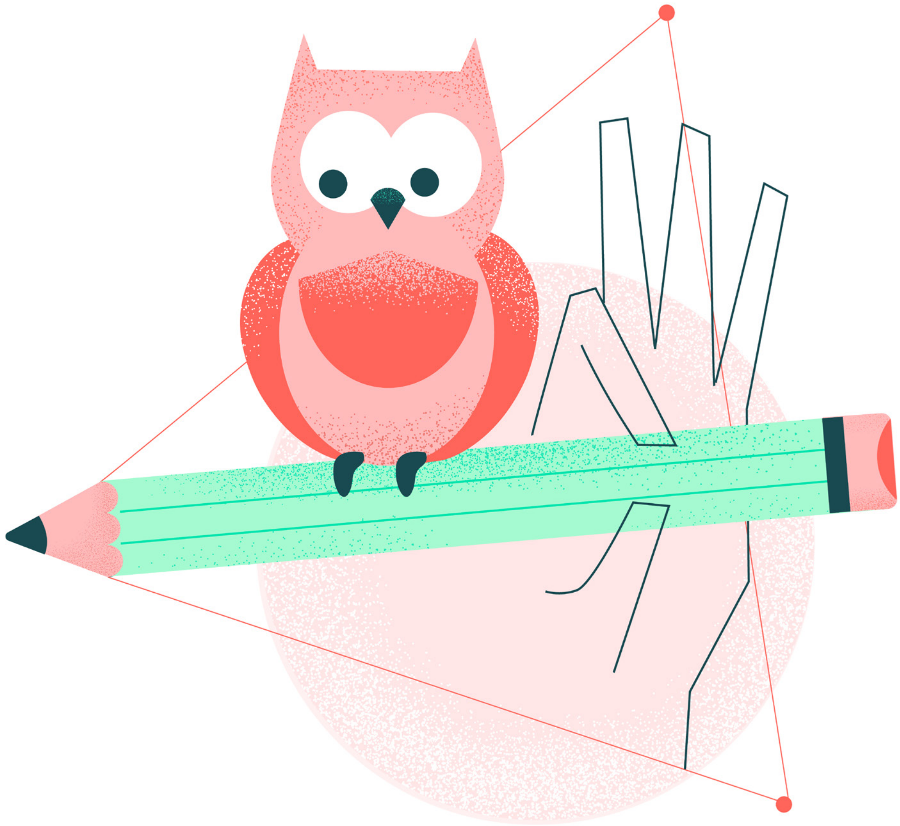
It wasn't a perfect resolution, but it reversed intensifying factionalism. "The tension stemming from location differences and the distinct styles of each group were problematic," says Loftesness. "Not everybody in the end was totally happy. But the conflict was gone — and with it the distractions and the inefficiencies that came from fighting back and forth. It allowed each team to pursue the goals of the company more efficiently, which everyone agreed was far more important than our petty squabbles."

Fewer Factions, Less Friction

Early-stage startups are as prone to factions as large companies — it's less about headcount and more about getting ahead of them. To keep them at bay, internalize the difference between teams and factions. Take steps at gateway experiences — hiring, onboarding, transfers, technology selection and team or office growth — to prize cross-disciplinary collaboration, functional immersion, career mobility and the values underpinning different tools and offices. But, even with all these efforts, there's an important truth: you may not solve every factional struggle with an outcome that thrills everyone. But if you can implement processes in these five areas and avoid issues before they arise, so much the better. Even in those earliest, breakneck days, it's well worth your time.

"I liken it to coding. You try to catch bugs as early in the process as you can, because it costs much less then than it does in production, when it's already affected your customers," says Loftesness. "The same is true of any cultural problem. Maybe you hired the wrong people — or you've allowed members of your team to rally around an unhealthy theme or practice. Unwinding that is going to be much harder than taking a small step early on to counteract factions. You owe that to your people."

Photography courtesy of the subjects. Art by wildpixel/Getty Images Plus/Getty Images.



WHAT'S AHEAD

Draw The Owl And Other Company Values You Didn't Know You Should Have

Over his career at Amazon, StubHub and Twilio, **Jeff Lawson** has become an outspoken teacher and student of company values. In this article, the co-founder and CEO shares vulnerable and victorious examples from Twilio to bring granularity, precision and process to a notoriously ambiguous topic. He deconstructs his efforts to shape company values into three stages: articulating, living and changing them.

Jeff Lawson

It was the moment of truth. Twilio CEO and co-founder Jeff Lawson called the number that gathers all of the company's employees onto one conference line. Then he asked for a volunteer — little did any of them know he was sitting at a table with a panel of other well-known CEOs. Minutes before, a fellow executive had complimented Lawson on Twilio's values, but wondered if his employees knew and could name them. A volunteer spoke up and offered: "Simple, easy, and powerful." Lawson thanked her and she asked him if she did a good job. "You did fantastically," he said. It didn't matter that she'd been totally wrong.

The employee's response told Lawson that his years of work on Twilio's values still had a ways to go. She had chosen to speak to the nature of Twilio's product, but not of its people. That moment revealed the disconnect between what values mean to different employees and the factors taken into account when expressing them. Over his career at Amazon, StubHub and Twilio, Lawson has become an outspoken teacher — and student — of company values.

At First Round's recent CEO Summit, Lawson brought granularity to company values and culture by sharing both victorious and vulnerable examples from his time at Twilio. Specifically, he deconstructed his efforts into three parts: articulating, living and changing company values. Any startup that has been told to be its authentic self, but has encountered more handwaving than a tactical plan will find solace and guidance in Lawson's account.

START WITH NOUNS INSTEAD OF ADJECTIVES

In 2010, when Lawson could count his employees on one hand, he did what most leaders do when their startups get serious: he wrote down its values. “Our goal was to get them in print — that way they would be in our control,” said Lawson. “We called a meeting, and came up with five descriptors: continuous improvement, detail-oriented, learners, humble, hungry. We saw these attributes in ourselves and thought they’d help us attract like-minded people. So we declared them our values and started to hire.”

With those values front and center, Twilio grew from six to 70 people. But after the public, aforementioned wake-up call, Lawson changed his tack. Instead of describing his values, he thought more carefully about what he wanted described. “I realized that whatever we came up with would probably have to speak to who the people are behind Twilio, what our product is and the various processes of the company,” says Lawson. “For us, if we’re going to have a value system, it had to incorporate people, product and process.” Here’s more:

People

In this category, your values should help you decide who you should hire, who you should fire and how you treat each other while you work together. Startups mostly think about people when they consider values.

Product

In most cases, it’s less instinctual to associate your product with your values. Your type of product, its features, how you treat your customers and how you respond to threats and opportunities around your product are built into your value system.

Process

Values associated with process link to how decisions are made in a company. This includes how you report progress, hold people accountable and trust each other. For example, most startups will say that trust is vital, but won’t construct a process that reflects and protects that priority.

These "3 Ps" may not be the entities you choose to define and describe, but it's critical to choose your nouns before you champion the adjectives that you want to embody. For Lawson, that gets to the distinction between values and culture. "Culture is a word that Silicon Valley and startups everywhere toss around all the time," says Lawson. "What does it really mean and how does it relate to values? "What I landed on is that culture is living your values."

> **Values are written words, and your culture is how you actually live those written words.**

THE THREE STAGES OF YOUR VALUE SYSTEM

So how do you actually live your values? Lawson's framework has helped his team both articulate Twilio's values and help them abide by them every day. "It's at this point that most companies' values go astray. Many startups relegate them to posters and drink coasters," says Lawson. "Our values are in motion, specifically through a three-stage lifecycle that gets us to the next stage of growth. First, we articulate our values, then live them and finally, test them."

ARTICULATION

To start, your goal is to articulate, not create your values. "It's not semantics. You cannot create your values. You cannot sit down and say, "Hey, what words sound good?" because that just makes them false," says Lawson. "It just makes them empty words. You cannot create your values. I use the word 'articulate' very intentionally, because I believe all you can do is identify who you are through introspection and then pull out and articulate the things that you like."

Be aspirational but know that the seeds of these values must already have been sown. "This is where timing comes into play. You should articulate your values not too early and not too late," says Lawson. "Don't establish your values right after you've just incorporated. Your company is not mature enough; it's people, product and process are not known entities. But don't do it in the company's twilight years either."

It's not unlike the teenage years. The hard-earned realizations and character-defining mistakes haven't happened yet. "Humans need to go through the teenage years to discover themselves, to get comfortable in their skin. I believe more startups actually go through that process as well," says Lawson. "You have to give it time to bake in order to know who you are as a company. But if you wait too long, then the values can go off in their own direction and you may not like what you find when you find them."

Plan to articulate your values when you're between 20-40 employees. Don't express them when you're three nor when you're 500 people. Not too late, not too early.

Primarily, it is the CEO's job to articulate the values of the company — but not alone. "In fact, if you think it's only the CEO's job, I suspect the company will fail. Be inclusive because these values are not just yours, Mr. Founder or Ms. CEO," says Lawson. "They are the tribe's values, and what you're doing is creating a tribe. Human beings are tribal creatures, because it took congregation and community to survive. So, the group has to be bought into the values as well."

Here's how Lawson led the effort to articulate Twilio's company values:

Convene a diverse dozen.

To start, Lawson assembled twelve people from across the company to discuss Twilio's company values over dinner. It wasn't a lottery — he selected those who he thought could thoughtfully consider the long term success of the company. Open the conversation informally but with insistence that it's important: "We're together to work on articulating the values of the company. Let's start by voicing what you value about your interactions with each other and the kind of people we'd like here."

Record ideas until they're in the triple digits.

Let your group riff. Some will be prolific; others will need some time to rev their engines. But everyone needs to push past the obvious or nebulous answers that come first: honesty, hard work, teamwork, etc. These may be right, but they shouldn't be unchallenged incumbents. Collect all ideas without qualification. Then tell the dozen participants thank you, and that you'll follow-up.

Be the Chief Editor Officer.

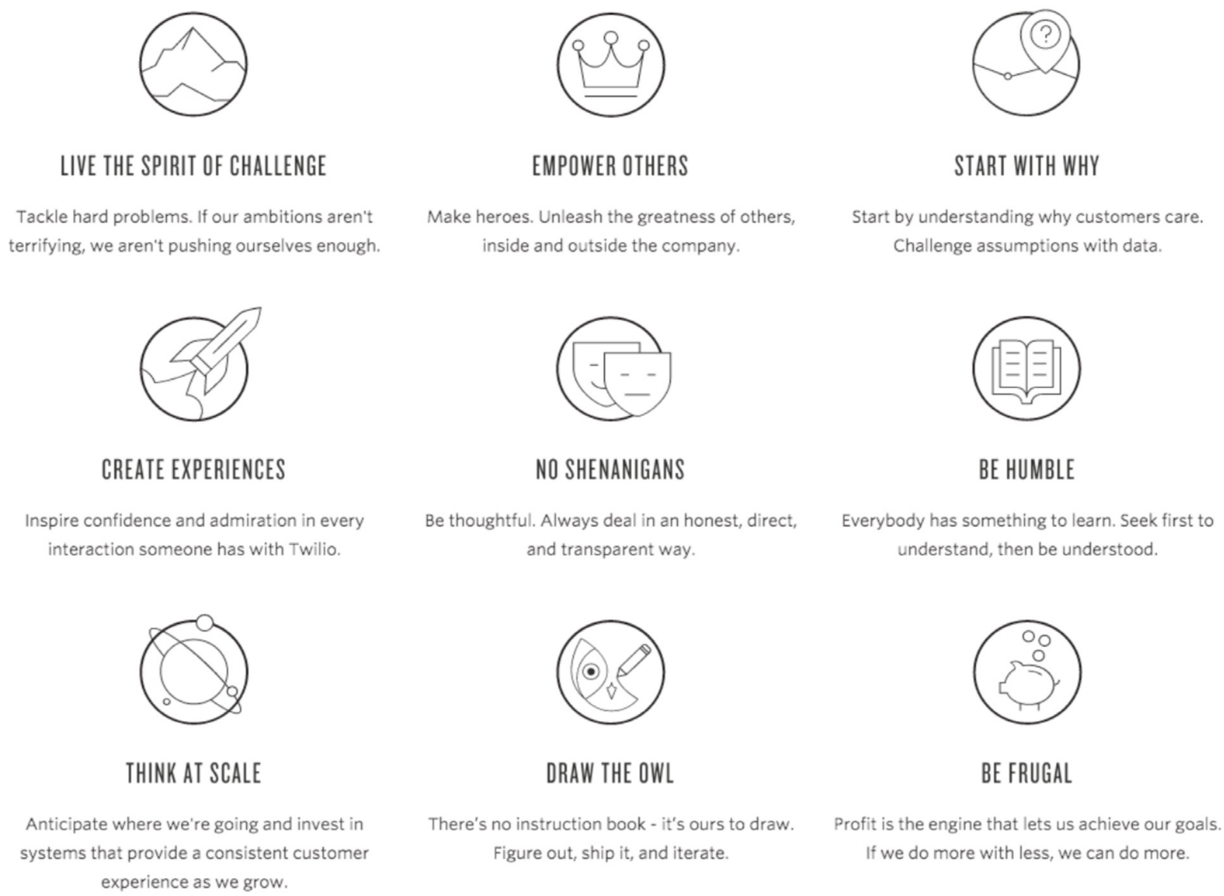
Group and consolidate the ideas. When Lawson did this exercise, he combined 100+ ideas into about 25 values. A weeks later, convene the group and evaluate the consolidated ideas. Ask this question: Which of these ideas resonate with you and which do not?

Put them to The Oxygen Test.

After the first round of feedback, the CEO should do another round of consolidation until there are about 10 values left. The final step is to put each value to the test with one question: Which of these couldn't you live without out? The goal is to keep those only that are natural and indispensable, like oxygen.

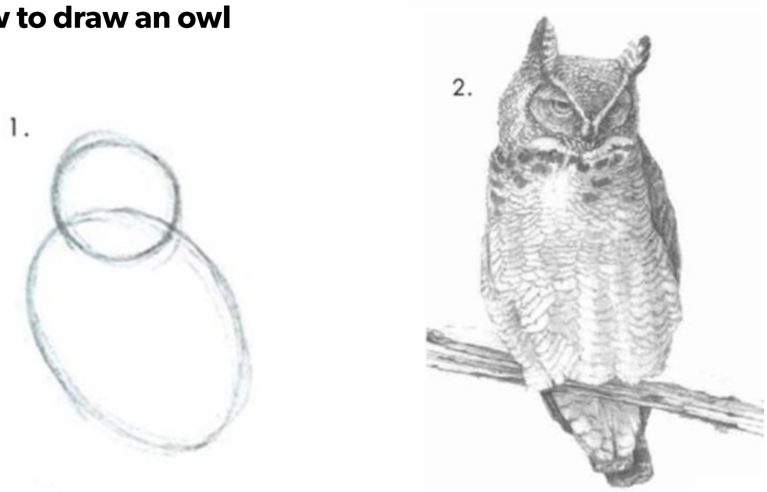
After the final session, Lawson and his team arrived at nine company values through a thoughtful, inclusive process. "Getting your tribe bought in on the articulation of values is as important as the values themselves. When we rolled them out to the company, there were a lot of people who were invested in their success because of their hand in drafting them," says Lawson. "In fact, when we presented them at All Hands, I had those who were involved introduce the values to the company. The group conceived of them together, so it had to come from all of us. It's much better than Moses coming down from the mountain with tablets, and an important part of the values getting accepted."

Here are Twilio's Nine Values:



Notice that all the values are commandments and nearly each one begins with a verb. They contain five words or less, none of which are $10 vocab words. "The language you use here matters a lot. Use human, actionable words — especially verbs. That way, they are action-oriented, resonate better and feel more implementable. That was very intentional for us," says Lawson. "We landed on these words because we felt that the people at Twilio and really any human being can understand and act on them. It's the only way they'll be lived."

How to draw an owl



1. Draw some circles   **2.** Draw the rest of the fucking owl

One strong example of using human, actionable words is "draw the owl." This Twilio value originated as an internet meme that coursed through the company like wildfire in its early days. "Yes, it was a meme, but it's a great representation of our job. There is no instruction book and no one is going to tell us how to do our work," says Lawson. "It's now woven into our culture and used as a cheeky, but encouraging reply to those who email colleagues at Twilio asking how to do something. It reminds them that they have — or are empowered to find — the answer. Plus, part of the opportunity and the fun of a startup is figuring it out yourself."

Now juxtapose these with a more corporate example of values: respect, communication, integrity and excellence. "If you haven't guessed, these were the corporate values of Enron. This goes to show that on paper all values look good," says Lawson. "These values are tempting to choose because they look perfectly reasonable. I'm sure you can apply them to all your companies and want these attributes, but living them starts with articulating them in a livable way. Enron didn't do that."

In a way, Lawson sees a lot of parallels between the supposed values of Enron and the values of Twilio. "I'm able to map their values directly to ours, but let me explain why I think ours are better. At Enron, you had 'respect.' Sounds good, right? But respect can be such a vague word, and it's hard to know if someone is being truly respectful," says Lawson. "At Twilio we have: be humble. It's a more specific version of respect and it's actionable. We all know what humble is, we all know what humble is not. We have a pretty good sense for that."

Now take the value of "integrity." "How many of you really know what integrity means? I don't know what it means. I get it in a conceptual way, but I don't really know if what I'm doing has integrity at this very moment," says Lawson. "However, at Twilio we have a concept called 'no shenanigans.' People know if they're doing something that's shenanigans. We have a gut feel — and license to call someone out — when there are shenanigans."

Reflect on Enron's value of "communication." "At Twilio, we 'start with why' as a more specific actionable tenet of communication. Starting with why demonstrates that understanding exactly why we're doing something is critically important," says Lawson. "It is always a valid question to ask why at Twilio. On the other hand, 'communication' is so vague that it's meaningless."

When you've chosen your guiding principles, resist the urge to call them "core values." "The phrase has been ruined. Nobody understands what it means because they describe esoteric nonsense most of the time," says Lawson. "So, at Twilio, we call them our '9 things,' because we want to detach our values from what most people think of as vacuous values. A 'thing' is something anyone understands."

Lawson admits that even if they are specific, nine 'things' is still a lot. "Researchers say that human beings can remember seven plus or minus two things. If you ask the average Twilio employee if they can name the nine things, the answer is likely no. I'd probably leave one out. But the way to think about it is that people will pick the ones that resonate most with them — which they can live most fully," says Lawson. "Three to five just won't work for us. When you try to narrow it down to such a small number of things, what you end up doing is making that small number of things more abstract and all-encompassing. Don't trade 'draw the owl' for 'integrity.'"

LIVING YOUR VALUES

There are no hacks to living your values — it inevitably starts with the leader. "That's my first fundamental belief. The CEO and founder must exemplify the values. Full stop. Everyone looks at everything you do. If you aren't living them, nobody else will," says Lawson.

Your goal is not to hire people who exhibit your values, but who are not incapable of living your values.

As your company grows and you hire, give consideration to those who have the capacity to live your values, not just candidates who exhibit them. "They may not live them today and that's fine, because again, we are tribal creatures who want to fit in," Lawson says, "When they come in to your company, if they are not incapable of it, they will likely try really hard to adopt the values of your culture. With candidates, you're identifying direction and momentum toward company values, not a bullseye."

The challenge with searching for a candidate who's a complete reflection of your company values is that you run the risk of hiring people who look and sound exactly like you. "That's not the right way to build a company. Your job is to weed out people who are incompatible with your values and train those who are to integrate into your culture," says Lawson. "One of the hard things is when someone who is capable of living the values doesn't do it. The way you get somebody back to living the values is by correcting them immediately when you can."

Lawson's favorite illustrative example comes from a world beyond Twilio and technology: the foodservice industry. In Setting the Table, New York restaurateur Danny Meyer reflects on when he first learned about how to make a service business work. When Meyer was green and relatively unknown, he once asked a more seasoned restaurateur how he learned to get all of his employees to do exactly the right thing to be hospitable to their guests. The man cleared the table and asked Meyer to put the salt shaker in the middle of the table. As soon as Meyer puts it in the middle, the restaurateur moves it off center and asks him where it is. Meyer points to it and the restaurateur asks him to put it in the middle. This pattern repeats five or six times until Meyer is about to throw in the towel.

The restaurateur stops moving the shaker and catches his eye. "Here's the point. Your staff and your guests are always moving your salt shaker off center. That is what they do. That's their job. It's the job of life. It's the law of entropy," paraphrases Lawson. "Until you understand that truth, you're going to get pissed off every time someone moves the salt shaker off center. It is not your job to get upset, you just need to understand that's what they do. Your job is just to move the salt shaker back each time and let them know exactly what you stand for, let them know what excellence looks like."

> **When it comes to the tough work of orienting your team with company values, don't get mad. Just put the salt shaker back in the middle and people get the message.**

For Lawson, there's a key lesson to extract from Meyer's story. "If someone is incapable of living your values, it's an easy decision. Even if she is a high performer, you exit them," says Lawson. "However, the very hard part is when they are capable of living your values, but aren't doing so for some reason. Then you need to move the salt shaker until they do."

That's another reason to tune your senses to everyday signs of values taking hold. "You know they are working and meaningful if they are infused in the decisive and dull moments of the day. Are you hearing them in the hallways, in board meetings and at conferences? These are signals that they are working," says Lawson. "We hear people finish conversations or debates by saying 'No shenanigans.' But one of the most encouraging signals that our values are working is when people outside Twilio — who don't work with us daily — are taking notice of them."

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*This is the inaugural post in our "Lunches With Unicorns" series, inspired by this year's **Code** conference entrepreneurship panel. We'll sit down with companies valued at more than $1 billion to talk about how they fight the recruitment battles, why "unicorn" is a dirty word, what tricks people are pulling to land big valuations, whether work-life balance exists in startups and other issues of the day.*

For a newly anointed unicorn, messaging company Twilio, the secret sauce behind Uber and Airbnb, resides in a far-from-luxurious building. It's located in the popular San Francisco startup district SoMa, which stands for south of Market Street. But instead of a spot in an airy refurbished warehouse, Twilio's pad is tucked in the back of a dingy structure.

Grungy beige carpet covers the hallways on the way in, a moldy smell permeates the air and a battered orange cone stands guard next to the service elevator up to the office.

For example, Twilio's value of 'being frugal' was recently spotlighted in technology media. "A reporter interviewed me for a series entitled 'Lunches With Unicorns.' She described our office as a 'far-from-luxurious' building 'tucked in the back of a dingy structure. She called out the 'grungy beige carpets' and 'a battered orange cone' standing guard next to the elevator," says Lawson. "A lot of people would be horrified with this description of their company, but I'm actually proud. Our value of 'being frugal' is being lived and visible to those who observe."

That said, while it's inevitable and important that people interpret your company values, the leadership should always weigh in on how they're applied. "On the value of frugality, I've seen it manifest in exactly the wrong way," says Lawson. "How many of you have a Hanes Beefy-T in your Goodwill pile at home that you got as swag from a company? If your company value was to be frugal, you may opt for the the $5 Hanes Beefy-T over the better fitting $7 American Apparel shirt. But the correct answer is that $5 that gets thrown away is not being frugal, but $7 that actually is appreciated by the customer is a much more valuable use of your money."

It takes some forethought to think about how your values ring truest in various situations, but intelligently applying them is a must. "Keep your eye out for ways in which values are being interpreted in ways that you did not imagine. That may be in both a positive and negative way, depending on the scenario," says Lawson.

Twilio's 'draw the owl' value is the perfect case study. "In a symbolic, self-referential way, some employees took it on their own to create a mural in our office by literally drawing the owl. I thought that was really cool and a direct result of living the value. When people evoked values on their own without prompting, that's when you know it's going well," says Lawson. "Alternatively, several years ago Twilio had five different build-and-release systems for its software. What happened was that five separate teams wanted a slightly improved version of the system, so they each "drew the owl" and built their own. The end result was various degrees of quality, test coverage of availability of those systems. It was a mess. When I caught wind of it, I asked why the hell would we have five different build systems. The response was: 'Well, draw the owl. We had a problem; we solved it.' That was an interesting and unintended application."

> **Expect your people to build from your values in ways you never thought. But their interpretations may not be the ideal application. Monitor how values manifest.**

The bottom line: frequently assess how your values translate into reality throughout your company. "I never would have thought that draw the owl would be interpreted in a way that, in retrospect, looks silly," says Lawson. "We concluded that it's actually good to draw the owl, but that, at some point, it's leadership's job to see what's happening in context. If there's a problem that needs to be solved, go in and solve it in a more holistic, thorough way."

CHANGING VALUES

If companies work so diligently to articulate and live their values, it's easy to see how they may resist changing them. But the truth is that a company's values, like the organization itself, follow a lifecycle. "Say you've articulated your values, lived with them for a few years and realize that they may not exactly fit. It happens," says Lawson. "Remember the analogy to the teenage years? How many of you perfectly articulated and instituted your life's guiding principles at 13 years old? You shouldn't expect to flawlessly express your company values when so much is changing: headcount, product, your founders as leaders — you name it."

Be open to changing your values, but not too often. "If you change them quarterly, they're no longer your values, they're strategies. In order to be meaningful as values you need to have continuity. You can change them, just don't do it too often. Every couple of years, make tweaks," says Lawson. "There are two of Twilio's values that I'd like to alter: 'Live the spirit of challenge' and 'Think at scale.' I don't believe the first is actionable enough and the second is a very mixed message. Thinking at scale was meant to inspire people to think big, but it's actually giving a free pass to never ship until you create a big solution — versus shipping iteratively."

About a year ago, Lawson convened a diverse set of his people to address the two values that didn't resonate with him. He didn't know what the best solution would be, so he took the same approach as he did with the team that helped express the initial set of values. Lawson asked a simple question: If we were to change some of these values, what would we change them to? "Across the board, people were against altering or swapping out the values. I couldn't get them to budge," says Lawson. "But remember. It's the tribe's values, not mine. I can't force these changes. People were so attached to them because they had been living them every day."

PULLING IT TOGETHER

Twilio has a tradition of taking an annual company photo. From the six members on the team in 2010 to his 400-person strong company today, these images remind him of the values that have attracted, retained and evolved Twilio. Behind Twilio's growing team is the three-stage company values system that Lawson has put in place. First it's articulating — not creating — what your people, product and process represent in words. When your values are lived and interpreted inside and beyond company walls, they become your culture. Finally, your values mustn't be too sacred to be periodically evaluated, even if the company keeps them in the end.

"Leading a company means being a conscious custodian of its values. It's a requirement, not a nice-to-have. Because, here's the reality: every company has a culture and has values whether or not you put them into words," says Lawson. "You might as well articulate them so that they stay in your sight and you can guide them."

TOOLS FOR

Nurturing Talent

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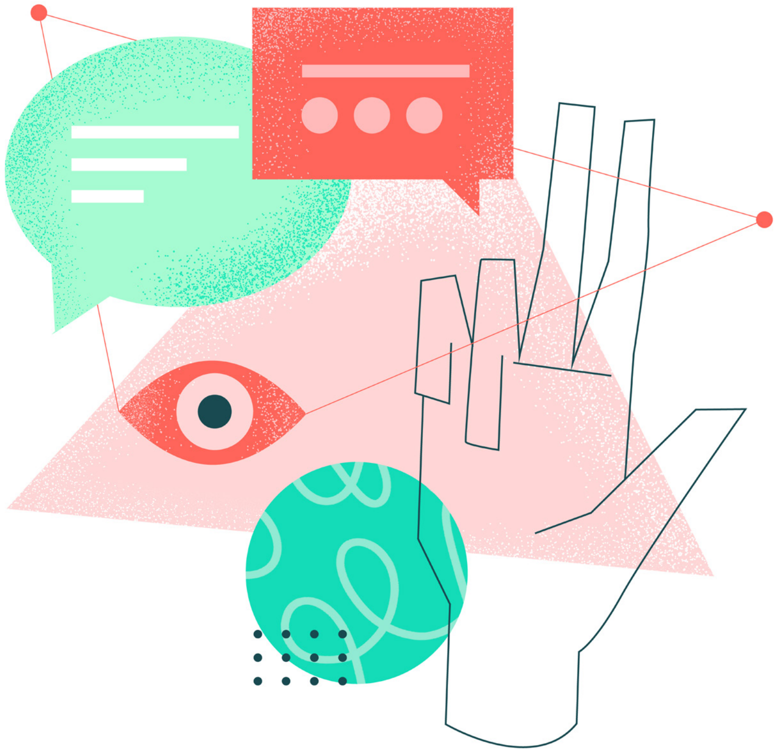


WHAT'S AHEAD

Three Powerful Conversations Managers Must Have To Develop Their People

As a veteran of Google and Twitter, the former co-founder and former COO of Candor, and current VP of People at Qualtrics, **Russ Laraway** is a sought-after talent advisor. His surefire approach to growing and retaining people centers around helping employees articulate long-term vision for their careers. In this article, he breaks down the most critical conversations leaders must have with their employees — deep talks aimed at understanding both the employee's past and future direction — in performance reviews.


Russ Laraway

The fog of war envelops every battlefield. When the plan breaks down amid the chaos and ambiguity, how do young Marines know what to do next? How can they take relevant action in the present when their carefully detailed plan has been rendered useless? Every leader communicates something called Commander's Intent — effectively an end state or envisioned future of the battlefield when all is said and done. Understanding this vision, even the most green Marines can take decisive, relevant action right now. Managers should equip their people to achieve the same level of clarity in their careers, says Candor, Inc. co-founder and COO and former military leader Russ Laraway.

Laraway believes that managers can grow and retain top talent by helping their employees articulate long-term vision for their careers. His approach has made him a sought-after advisor on the issue of employee retention and talent development. While at Google, his framework for career development led to more than a 10-point bump on engagement scores across hundreds of employees. In addition to Google, Laraway's career spans operational and management roles at Twitter, founding and leading his own supply chain consulting firm and serving as a Company Commander in the Marine Corps, in which he oversaw 175 Marines.

Drawing from his talk at First Round's CEO Summit and additional conversations, Laraway explains a servant leader's approach to career conversations, a tool that accelerates development, enhances engagement and boosts retention in teams. He lays out a step-by-step approach for creating meaningful dialogue and details pitfalls to avoid. Any startup seeking to keep its talent for the long term will gain helpful tips from Laraway's framework.

WHY CAREER CONVERSATIONS ARE YOUR SECRET WEAPON

Companies face both a threat and an opportunity when it comes to their employees' long term career aspirations. First, the threat: if managers just lead their employees merely with the day-to-day in mind, they'll lose some of their best people sooner than they might have otherwise. Laraway has found that career conversations — deep, meaningful dialogue coupled with action plans around measurable goals — go a long way in keeping them around for longer.

Conversely, the opportunity when it comes to managing your people is the chance to be a servant leader, a concept coined in the 1970s that says the best leaders live to be in service to their teams. "One way to know if you're exhibiting service leadership," Laraway says, citing leadership expert Robert Greenleaf, "is if the people under you are growing and developing."

"I've seen this play out in practice over and over and over. People are surprised that they can grow towards their dreams and stay put in their current role," says Laraway. "This is one of the side benefits to this approach to career conversations. It can reduce any ants-in-the-pants of wanting to leave or be promoted. As a manager, one of your prime jobs is to help the people on your team develop."

> **Leaders, do you have what you need to invest in your people with the same focus and fervor you want them to give your company?**

FOUR WAYS TO SCREW UP CAREER CONVERSATIONS

"You have to be careful not to take shortcuts around this initiative," Laraway cautions. "Your people will grow with or without you. The question is who will they grow into?"

Laraway has refined a process for figuring that out. He outlines four approaches to career conversations that frequently backfire:

Don't have them at all. "The first problem with career conversations is that they're not happening. A lot of times, folks don't know it's their duty to talk to someone about their career. Or, if they do realize it, they don't know exactly what to do," Laraway says. "Even worse, there are 'imposter conversations,' such as performance reviews, which are inherently backward looking, whereas good career conversations are mostly focused on a dream in the future."

Performance reviews are backwards-looking, while career conversations are forward-looking. Performance reviews ≠ career conversations.

Limit them to the near future. "In thinking about career conversations, the short term is not a good way to think. The idea that discussing promotion equals discussing career? Nope," Laraway says. "Promotions, at their very best, represent an incremental increase in scope and growth. At their worst, they're nothing more than a title and comp change, a nice formal recognition for a job well done. Promotion conversations do not equal career conversations."

Just check the box. "Big Bad Company Inc.'s CEO convenes all the VPs and they put up on the screen the recent scores from the engagement survey. They discover that in three to five years, a bunch of people are going to leave because they're concerned about career growth and development. Panic ensues," says Laraway. "I've seen this a number of times in more than one company. An HR person chimes in and says, 'You know what? We've got to get everybody on an IDP, an individual development plan.' Boom. Problem solved. The VPs, desperate for action, say 'Yes!' and relay the message down the line to directors, managers and their teams. Employees burn their weekends putting together their IDPs. Monday comes. They say, 'Got my IDP.' Box checked, squared away. Then no one looks at the IDPs again. It is a terrible process, but the box has been checked. That's a problem."

Improvise. People sometimes approach career planning in a start-and-stop, half-baked way. "We plan a lot of things. We plan our families, plan our weekends, plan our vacations and plan our meals," says Laraway. "It's a little crazy to me that we don't often put a lot of energy, intentionality, or conscientiousness toward our careers. We need to put a little more structure around that."

The way to fix this imbalance is to follow the framework Laraway lays out for developing career action plans and having serious, meaningful — and even amazing — conversations with your employees. By doing that, you can really help them grow towards their dreams. By investing in your people in this highly differentiated way, often they'll say, "I'm growing and my manager has my back. The grass isn't always greener on the other side."

> **It's hard to keep books upright without bookends. You must understand someone's past and future to know how to order the present.**

THREE CAREER CONVERSATIONS YOU SHOULD BE HAVING

A decade ago, in a conversation about career planning, Sheryl Sandberg told Laraway, "You have to have a long-term vision and an 18-month plan." Her advice was in response to some flawed thinking that she'd observed in how people — including herself — were thinking about their careers. She talked about two broad problems. First, people are inclined to plan their careers step-by-step, the mistake she made. "Or they do no planning at all," Laraway says. "If she'd have stuck with that very carefully designed plan from earlier in her career, she would have not taken that Google opportunity, which was a very meaningful slope-changer in her career trajectory."

Instead, take another path forward when it comes to career conversations. Laraway breaks down a three-step process for helping your employees develop both short- and long-term plans. Each of these steps involves about an hour of investment approximately two weeks apart from one another. These three approaches help surface the key components of your employee's path: their past, present and future.

1. Be their Barbara Walters. Take an hour to get to know your employees — deeply. Begin with the phrase:

> **Starting with kindergarten, tell me about your life.**

Then probe with more questions when they talk about pivots in their lives.

Laraway took this tactic with a direct report, who mentioned switching from cheerleading to swimming while in high school. "I became curious about why she liked swimming so much better than cheerleading. 'What was it about swimming?' She said, 'I never really thought about it, but when we worked hard and we spent a lot of time in that pool, we had tangible outcomes on the backend. We reduced our times or maybe even got to the podium,'" says Laraway. "It became really clear through that story, and others like it throughout her life, that she deeply valued hard work leading to tangible outcomes. It was so clear to both of us because of the story."

Look for the patterns over the course of your people's lives that give you strong signal and just write them down. "In this case of the cheerleader-turned-swimmer, I wrote, 'Hard work leads to tangible outcomes.' Then I wrote down the story, 'Cheerleader to swimmer,'" Laraway says. "It's not rocket science. I had pages of notes that yielded a list of 5-10 values and motivators that helped us have a shared, textured understanding of what she cared about and what brought her to this point."

2. Spot their lighthouse and bring it into focus. Articulating a clear vision for an employee's future is the most important step. Ask your employee about their dreams.

"Maybe we're a little skeptical that a lot of our millennials, for example, will know what they want to be when they grow up. In fact, some of you are thinking that you don't even know what you want to be when you grow up. That's common skepticism," Laraway concedes, but he continues, "I've run this process hundreds of times, and never had a person who couldn't tell me about their dreams."

"The idea is to try to get employees to start to talk to you about their dreams, or three to five of them if they don't really want to commit to one idea. None of it should be time-bound — no 10-year plans. Ask what this person would be doing at the pinnacle of his or her career — when they're feeling challenged, engaged and not wanting anything else."

"What we have now is a blurry, fuzzy lighthouse out in the distance. The goal is to try to bring that lighthouse into focus. We want to see the paint chips. We want to see the red tiles on top. We want to see the seagull perched on it. We've got to ask a few more questions," Laraway says. He suggests the following three questions for focusing the vision only after you both understand the dream:

- **What size company do you imagine working for?**
- **What industry do you want to be in?**
- **Do you want to be in a very senior individual contributor type role or very senior management type role?**

Russ Laraway

Laraway had an employee, Jane, who articulated this vision: Own and operate my own spirulina farm.

This woman had also noted in her life story conversation that the happiest she ever was in her career was when she "built something from nothing" at a former employer, so this vision was aligned with what she valued most. Knowing her wildest dreams helped Laraway place her in a position that would deliver experiences that would compound and prepare her for where she was headed — even if she was in a different industry currently. "We were working in digital ads at the time at Google. Together, we were able to take the right actions given her vision, and advocate for her to get training that would be valuable for her as an entrepreneur," Laraway says. "We were both extremely happy with the investment we made in her. She stayed at Google longer than I did, and continues to grow in the digital ad space at Facebook. The spirulina farm is still the lighthouse in the distance, and that's ok."

3. Create a career action plan. Armed with a shared and textured understanding of your employees' key motivators, and a clear articulation of their own envisioned future, now you're ready for the next step: crafting a detailed action plan. These will map out — in great detail — exactly how your employee is going to reach that vision for themselves. Think of it as a roadmap to self-actualization.

"Now we've got it: We've got an understanding of the person's origin, path taken to this point, what they care about and what drives them. Now we've got a clear idea of this lighthouse in the distance. We know their dreams — what lights them up. We know how they envision their future," says Laraway. "That arms us with all we need to take relevant action right now and start to build the career action plan."

FOUR STEPS TO DESIGN A CAREER ACTION PLAN

At Candor, career action plans are developed into four parts. Each part has 2-5 action items. Each action item should answer: Who will do what by when?

“If those three questions aren’t answered, you don’t have an action plan. What you have is that IDP exercise. Who will do what by when? That’s an accountable plan. That’s something you can work on and manage toward,” Laraway says.

Here’s how career action plans should be created:

Develop their role. If you understand where employees are trying to go, you can make adjustments in their current role to move them in the right direction. “A lot of times when we think about career, we’re a broken record, stuck on: what’s next, what’s next, what’s next. People are hungry to know what their next job will be, or when that next promotion is coming,” Laraway says. “If people feel like they’ve got a manager who’s got their back and investing them in a differentiated way, it’s a different result. If we’re being explicit about doing some things in their current role that can take them toward the end goal in their career, that helps reduce the ants in their pants a little bit. People tend to want to stay put.”

Enhance their network. Help them identify the people who can inform and influence where they’re trying to go. “This can entail everything from helping set up informational interviews to being their sounding board to help pressure-test their thinking,” says Laraway. “Influence is pretty straightforward. Who are the people that can help uncover opportunities that’ll take them closer to their long-term career vision? Identify those people and help them get some meetings.”

Laraway stresses that it’s a way of providing 360-degree support to your employee. “The more they explore future possibilities, the more they’ll be engaged in their work. Meeting people who are in their dream industry or job can be inspiring and clarifying. It also helps forge connections that may come in handy down the line,” Laraway says. “And it yields benefits for you, too. It’s so important for your employee to know how much you’re supportive of them, and how far you’re willing to go to make sure they achieve their dream job. That inspires loyalty like nothing else.”

Define their immediate next step. “Let’s be explicit about what the next step or role you will fill that makes sense, given what you care about, the path behind you, and the lighthouse off in the distance,” Laraway says. “It can involve advocating for them to make a lateral or vertical move, or giving them goalposts to hit on a quarterly basis. You want to help them gain crystal clarity that this immediate next step is a logical one en route to their dreams.”

Enlist others to help hone their skills. Send your employees to training like conferences or workshops. But be mindful that you're sending them to opportunities that actually make sense in the context of the long-term vision. For example, Laraway cites a highly popular Advanced Negotiations course that every single person wanted to take at the Wharton School — even if there was no clear reason why he or she needed it.

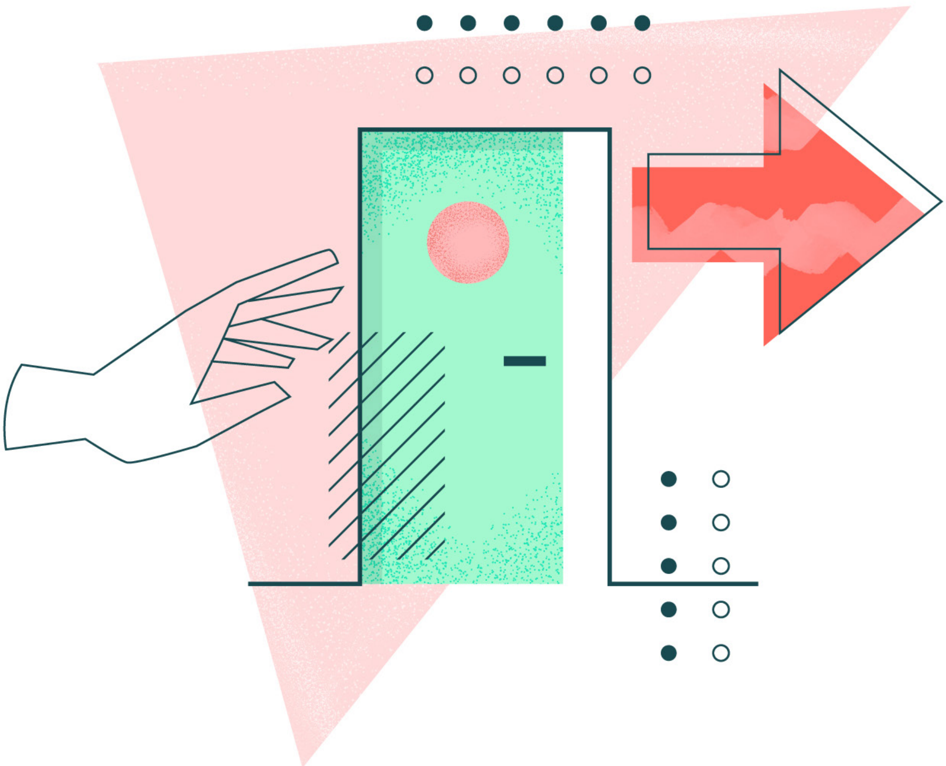
It sounded strategic and cool, so people were interested in the course, but they couldn't explain why they needed it to justify it expensive price tag. "On the other hand, I had a person with a career vision to lead the business development function for one of the big like video platforms, like Netflix," says Laraway. "It's a pretty defined, compelling vision. It made a lot of sense for me to try to get that investment for that person to get them to the advanced negotiations class because clearly that's a big part of any business development role."

> **When you understand someone's long-term career vision, it helps put training investments into context.**

NURTURING EMPLOYEES AS A WINNING STRATEGY

Managers have the opportunity for service leadership but still must cope with the threat of good people leaving the organization. The key here is to intently invest in each employee, making sure they're getting — and know that they're getting — the tools and experiences they need to advance in the way they aspire to advance. No empty promotions or ceremonial performance reviews. Instead, aim for real, honest conversations that unearth your employees' hopes and dreams, and shed light on their past and future. Doing so can extend the life of employees at your company, but also bring clarity to how and when they should embark on the next stage in pursuit of their dreams.

"A manager's job is to guide a team to deliver results, and she's able to do that well in a sustained way — not because she exhibits power, control, or authority, but because she nurtures and enhances a set of human relationships around her. What's more, she's developed those relationships by crafting a long-term vision," Laraway says. "It's that same zooming out that guides a Marine in the fog of war. The Marine knows what the end state is supposed to look like and he can move people toward that end. Armed with the clear vision of the end state, he's able to take relevant action today. That's the clarity in the chaos. That turns a job into a through line for a person's career. The more you can help them along their path, the more they'll likely to stay and help your company on its journey."



WHAT'S AHEAD

This Is Why People Leave Your Company

Carly Guthrie has run HR for elite restaurant groups and startups — and she's been watching employees take and leave jobs for over 15 years. It turns out that the reasons people love and hate their work are largely the same across sectors. In this article, Guthrie shares what she's learned about why people quit, and what startups can do after an employee's first day to make sure they stay happy, engaged in their work, and committed to your company (and deleting every email they are most certainly receiving from recruiters).

Cathy Guthrie

When Carly Guthrie was running HR for Per Se, one of the hottest restaurants in New York, the General Manager gave her a piece of advice: "You know, Carly," he said. "If we're doing our job as leaders, a performance review should only be two columns: Column A is what you do great and Column B is what you do not-so-great. Now, here's how we move things from Column B to Column A."

This approach stuck with Guthrie as she left the restaurant world to head up people operations for tech companies. It shocked her that these types of candid conversations were hardly ever happening, and people left as a result. "There's a mercenary mentality in tech right now — an idea that there's always going to be something hotter, faster, more groundbreaking," she says. "And yet, there's very little internal discussion about how to keep people."

Guthrie has been watching employees take and leave jobs for over 15 years. Turns out, the reasons people love and hate their work are largely the same across sectors.

Step one to retention: Understanding why and how it fails. In this exclusive interview, Guthrie shares what she's learned about why people quit, and what startups can do after an employee's first day to make sure they stay happy, engaged in their work, and committed to your company (and to deleting every email they are most certainly receiving from recruiters).

THIS IS WHY YOU LOSE PEOPLE

You don't respect their time.

In Guthrie's experience, employees will follow up with recruiters and other job offers if they're even slightly angry, bored or dissatisfied. "Usually the hours are wearing on them or their spouse is on their case because they're never home," she says. "A really good CEO thinks about the bigger picture and realizes people have lives outside of work. **That's the number one way to prevent people from feeling like they might want to be somewhere else."**

But it's easier than you think to be thoughtless. For example, Guthrie has seen countless companies throw weekly happy hours that start at 4:30 p.m. every Friday. The result: People feel like they have to stay until 6 to be a good co-worker, then they get a slow jump on traffic, they get home later and they're tired, when they really want to just go do their own thing. "Just moving the happy hour to Thursday would show a tremendous amount of awareness and make people feel that much better about the company and leadership," she says.

On the flipside, there are many companies that like to emphasize their rigorous hours by hosting early-bird staff meetings on Monday mornings. Guthrie has seen these get as early as 7:30 a.m. "No one wants a Monday meeting at 7:30 a.m. No one. This forces people with kids to juggle like crazy to get them to school on time. And even if you don't have kids, you want to get the most out of your weekend. You don't want to go to bed early every Sunday." Even if you don't mean it, this kind of practice communicates that you don't really care about employees as people.

> **From 5 p.m. on Friday to 9 a.m. on Monday should be people's own time, not the company's.**

It should be people's choice to work on the weekends or not. When you provide this level of freedom, it makes it that much more reasonable to say, "I'm going to ask the sun and stars from you the rest of the time." If you're worried that your startup needs to move faster than that, consider the following:

1) People who love their job and the company will work all the time anyway. If you've hired good fits, you'll see this happen.

2) People do better work when they have lives of their own. "That's not always a popular opinion, but I've seen how true it is over and over again," says Guthrie. "It's not just people with kids or spouses. Everybody has a community outside of the office. So few employers respect that — if you make it a point to, that will bind your employees closer to you."

Some companies are beginning to take these best practices a step further and mandate one or two weeks of vacation time without access to company email or tools. **That's right, literally turn their email off for the duration of their vacation.**

"It's not punitive, it's for good employees. You can remove the worry from spending time with your family or traveling abroad." But what if something goes awry? "We're all adults, we can problem solve," says Guthrie. While this strategy might not work at the earliest stage, if you're large enough, it shows a deep respect for an employee's time. For most employees, **"Time is more important than things."**

Employees usually don't leave because of their boss.

There's a persistent trope in the HR world that the main reason people leave is because they don't get along with their manager. Despite its prevalence in the corporate zeitgeist, "That's actually pretty rare," says Guthrie. Generally, almost everyone gets a sense of mismatched chemistry during the hiring process. If someone leaves because of their boss, that's a failure in the company's hiring process — an employee didn't get enough exposure to their boss during the process, or alternatively, if there's a history of subordinates leaving, their boss was the bad hire in the first place.

There is, however, one big reason employees may leave on account of their manager: Loss of confidence — in them or the company. "Let's say you've had a couple of pivots and you just don't believe in the company or concept anymore. You lose confidence in the marketability or leadership," says Guthrie. A company's leadership needs to be aware of these potential undercurrents in their organization, and should deal with them head on. Otherwise, your best and brightest will be on the lookout for opportunities to jump ship.

If you're making a counter-offer, you've probably already lost.

Often, to prevent brain drain, a startup will make a counteroffer to someone who says they might depart. But at that point, the battle for that employee is pretty much over anyway. "When you tell an employer you're leaving, you're saying, 'I'm unhappy. You may be able to buy me for another six months, but mostly, it's the end of the chapter,'" says Guthrie.

> **If you're happy, you're not even looking at other jobs.**

Employers often forget that looking for a job is an exhausting process, and people only consider that route if they're truly not content where they are. "If you're really happy at work, you're not interested in going down that road. You want to go home. You want to have dinner with your friends. You don't want to figure out how to arrange your work schedule to take an interview. Nobody wants that if they're already satisfied."

THIS IS HOW YOU KEEP PEOPLE

Recognizing and protecting against employee departures is only one piece of the puzzle. The best retention strategy involves more than protecting against employee disaffection. You have to be proactive about cultivating happiness and good will. Below, Guthrie speaks to the strategies startups can employ, beyond the coarser (albeit necessary) foundations of money and equity.

Build a community with purpose.

First and foremost, you have to create a community where people want to spend a great deal of their time. "I've seen environments where people are so engaged in the product and with one another that they really do feel like they're part of something bigger and important," she says.

> **Your goal should be to make people feel like, 'We're all in this together and have a huge opportunity as a team.**

As head of HR and Operations at student network ReadyForce, Guthrie saw a team become incredibly bonded — to the extent that many are still good friends even though some eventually moved to new companies. This type of community enhances talent and collaboration and makes it very difficult to leave.So how did ReadyForce do it?

The same three people would interview everyone for a particular role so that they were comparing apples to apples. Then they would convene and show thumbs up or thumbs down. If there was disagreement, they'd talk about why and foster healthy debate about candidates. "This really forced everyone to form an opinion and be thoughtful about

Cathy Guthrie

every person they met. Would they go to bat for the person? Why? What would it be like to actually work with them?" As a result, candidates were only selected if everyone was extremely excited about them joining.

One big difference is that the company didn't approach recruiting from a purely skills-based perspective. "Honestly, we placed a high price on 'hilarious' and hired wonderful people, I think partially because we were willing to work with people who were awesome culture fits even if they had a steep learning curve ahead of them."

Conversely, that meant filtering out people who may have been exceptionally skilled but not culture matches. Put bluntly, Guthrie suggests you ignore the "brilliant jerks." Your company culture cannot be created by top-down edict — it's always going to be a reflection of the collected personalities. Every single person you hire will make a difference. Also important to note: Brilliant jerks are harder to remove because it's nearly impossible to justify their dismissal if they're delivering good work. But they have a pernicious effect on culture that far outlasts their physical presence at the company.

On top of running a very detailed, comprehensive onboarding process, ReadyForce also adopted a unique attitude toward group activities. "At so many companies, you see this 'mandatory fun' thing happening whether anyone wanted to do it or not. At ReadyForce, I think a lot of our experiences were special because they were organic — they came out of people's personal interests. And the leadership provided the resources and room to do more creative things based upon those interests."

You have to balance the importance of community against the personal freedom of allowing remote work.

A popular retention strategy companies use to keep employees happy is flexible scheduling, particularly by letting employees — and especially engineers — work from home. But how can you reconcile "WFH" with the need to cultivate a sense of community and unified culture?

> **There's no hard and fast rule when it comes to working from home. It really depends on your culture.**

While there's rarely an easy answer, Guthrie offers two tips for companies looking to strike the right tone:

1) Make sure managers trust their employees. It's human nature to think, 'I don't see this person in the office, so I subconsciously assume they don't work as hard.' Managers need to communicate clearly to employees (and themselves) that they are results-oriented, while employees need to trust that it's important and justified when managers ask for them to be in the office. It's all about both sides respecting each other's time and abilities — and, perhaps most importantly, communicating this mutual respect.

2) If you offer "WFH" options for engineers, you should offer it to everyone. Employees often get resentful if a remote work policy is perceived to be unfair. "Can salespeople make calls from home too? Unfair treatment is what gets employees hung up," says Guthrie. It's best to craft a policy that preserves serendipitous camaraderie in the office while offering the opportunity for all employees to reap the recharging benefits of occasional remote work.

Structure a mentorship program that people actually want.

Providing a good mentor, and making that relationship natural and easy, goes a long way toward keeping people in a role. It shows the employee that the company is invested in their personal growth, and that there's someone (other than their manager) looking out for their best interests. But you can't force it. Like mandatory fun, pairing people with mentors arbitrarily rarely works.

"You definitely don't want to just introduce your new hire to someone random and say, 'Here's your buddy,' but that happens all the time," Guthrie says. "It's unclear what that even means or what you should do. Instead, look for skills that are outside of the new person's wheelhouse that you know they want to learn. Find someone who has those skills to pair them with and explain the connection."

> **Mentorship needs to be more organic than we've typically forced it to be.**

"Think about people who wouldn't have the opportunity to work or interact with each other otherwise. Would it benefit them to know each other from a learning perspective? Maybe pair them together. Ask every new employee, 'What do you want to achieve in this job? What other skills do you want to learn or sharpen, and how can we help you do that?'"

Just asking this question can convince someone they made the right choice by joining your company. The critical thing is to follow through. If a marketing hire says they want to learn Ruby, or an engineer says they want to learn presentation skills, don't let it drop. Record it somewhere, and then make the best introductions you can. Don't stop there either. Go the extra mile to suggest how these people might work together to make learning possible. Perhaps advise that they meet a certain number of times a month for a time-bounded period. That makes it sound low-lift, and if they do become close and everything is working well, they can decide to continue the relationship. Keep in touch with the mentor on the progress the employee is making, and then give them a chance to show off their new skills where you can.

Mentorship can also become a useful vector for shortening feedback cycles outside of typical manager-to-employee relationships, which will help you spot potential retention issues earlier. During her time with the Mina and Thomas Keller restaurant groups, Guthrie says she grew to appreciate just how much instant feedback flowed between senior and junior chefs. "In restaurants, there's just this instant loop. Items don't make it to the pass at the same time? Not set up for service? You're going to hear about it right then and there."

Good mentors have a very clear sense of what you're supposed to be accomplishing and won't wait to give you feedback.

Startups could benefit from using mentorship as an opportunity to shorten their own feedback cycles, without making people nervous about their performance. Especially when there is no formal reporting structure involved, employees are also far more likely to be candid with their mentors and share if they're looking for other opportunities.

Bringing in good HR early can make a decisive difference.

"It's a bummer that people think HR is all about rule thumping — it's got a bad rap," says Guthrie. "That's why it's even more important to have an HR person or representative who is relatable and trustworthy. People should feel like they can ask anything, even the really dumb questions. And you, as a founder or manager, should feel like you can trust them with the deepest, darkest secrets of the organization."

Who do you want in your bunker with you? That should be your HR person.

"For all these reasons, you need to choose someone you like. HR is not about algorithms. There's a whole lot of humanity involved, and that gets messy. You need empathy on your team. You need someone who can say, 'I might not agree with your choices, but I will put myself in your shoes and try to understand where things went off the rails.'"

These are all great qualities, but the single most important trait a good HR person can have is the ability to effectively train managers to handle similar questions and issues, Guthrie says.

"The hallmark of a healthy culture is that people feel comfortable bringing up problems with and offering feedback to their leaders and vice versa," she says. "There's this joke that HR reps are like paid assassins, because if you walk into a room and an HR person is there, nothing good is about to happen. If this is the mood at your company, it's management's fault. They haven't communicated clearly."

The need to train management and provide a sounding board is a strong argument for bringing HR (or someone who fulfills these duties) into your company earlier than later.

When your company is your baby, you've already lost perspective.

The thing is, that's okay, Guthrie says. "Hire or contract someone who has the ability to tell you hard things you don't necessarily want to hear — someone you can trust to give you a good reality check when you need it." Many times, HR is a good choice to serve this purpose given the confidentiality and bird's-eye view of the business.

Sometimes, especially if you're running an early-stage company with limited funds, contracting can be the best way to go because that person exists outside the company and has no skin in the game. "When that's the case, this person is really there just to help you. Then, when you get to 40 people, you've already figured out what your relationship with People Operations should look like. Being a founder can get extremely lonely. I think it's easy to forget that. But bringing in someone who sees the things you don't, and who puts your people front and center can make it a little less lonely."

TO SUMMARIZE

There are a number of ways to keep your best people, but no silver bullet. As you think through your own retention strategy, remember the following:

— **Recognize that employees have lives outside of work — cultivate a deep respect for employees' time.**

— **When employees leave because of their boss, it rarely comes from personality mismatches; it stems from a lack of confidence.**

— **Counteroffers are (an expensive) band-aid; they won't fix an employee's fundamental unhappiness.**

— **Building a genuine sense of community is crucial to employee retention. Make sure your hiring process incorporates and heavily weighs cultural fit.**

- **Hashing out a concrete "work from home" policy can improve employee happiness/retention, but it's largely dependent on your organization's needs. Make sure you're being fair across the board.**

- **Good mentorship happens organically, and should be directed by employee interests and growth. It also creates another opportunity for a natural, short feedback loop you can definitely use.**

- **It's never too early to invest in good HR, whether it's processes or people. This can absolutely include HR contractors. An outside perspective can be invaluable for founders who need big-picture reality checks.**

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