



Building a Management Team That Grows With Your Business

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Thank you and enjoy.
Bill Nussey

Today's Presentation

- ▶ **There is no such thing as the perfect management team. Each stage in a company's life requires dramatically different management skills.**
- ▶ **Agenda**
 - The basics (assumes a B2B tech company)
 - Five stages of a company
 - Quick quizzes: is your management team ready?
 - A note on founders and some interesting observations

“ Failure doesn’t always happen because people take their eye off the ball. Sometimes it happens because people insist on sticking with what made them successful in the past”

**- paraphrased from Andrew Ward,
author of Leadership Lifecycle**

“ It is better to be wrong than dead. Don’t let egos and history prevent you from making the hard changes.”

- Yours Truly

The Basics

Definitions



Leadership	Management
People	Process
Vision	Plan
Sell	Deliver
Create	Scale

Two Styles of Leadership

Bulldozer

- ▶ One driver, no passengers, sluggish but can move through anything. People either get behind it or get plowed over.
- ▶ Pure start ups and turnarounds benefit from bulldozer drivers

Bus driver

- ▶ One driver but many passengers, getting people on board is essential. The group moves together.
- ▶ Operating and fast-growth companies benefit from bus drivers

The Five Stages of a Young Company

Generate Idea

- Creativity; ignore conventional wisdom
- Fearless leadership

Create Prototype

- Technical depth; expediency over elegance
- Urgent leadership; project-level management

Closing First Customer

- Evangelical sales; flexibility in vision
- Leadership is key but management is required

Managing Many Customers

- Develop processes and structures
- Experienced middle mgmt becomes essential

Grown Up (no longer a start up)

- Proactive plans; invest in communications
- Management culture trumps leadership

Managing Through the Five Stages

The Idea Stage

► The Idea Stage

- Invention includes destruction; be willing to throw out ideas and start over

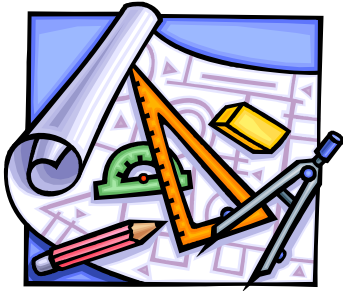
► Things to keep in mind

- Be careful who you pick here because you may be stuck with them for a while
- Avoid promising executive jobs to people who won't be qualified
- Ideas for potential markets are a dime-a-dozen, don't buy your own hyperbole
- Beware of big resumes and bigger promises

The Numbers

0 to 1	Levels of Management
\$0	Revenue
2-5	People
\$0 to 500k	Capital required

Quick Quiz for “Idea stage” Management Teams



- ✓ Are the founders very thick skinned? Are they comfortable making countless cold calls to complete strangers?
- ✓ Do one or more of the founders have deep experience in the particular niche the start up is focused on (e.g., medical, storage, finance, etc)?
- ✓ Has the team already decided who will take the various leadership roles? Waiting till later to pick the CEO is a bad idea.
- ✓ Are the key contributors prepared to come on board full time, perhaps without pay, if the idea can be a company?

The Prototype Stage

► The Prototype Stage

- Build it (and sometimes re-build it) and they will come

► Things to keep in mind

- Leadership is critical here – drive urgency, frugality and hope in the face of daunting hurdles (bulldozing works here)
- Sunk costs and opportunity costs become real
- The level of the teams commitment will be truly tested – these are often the longest and hardest hours of a company's life

The Numbers

1 to 2	Levels of Management
\$0	Revenue
3-20	People
\$250k-\$1m	Capital required

Quick Quiz for “Building a Prototype” Management Teams



- ✓ Are the key decision makers able to understand most of the technical decisions that are being made?
- ✓ Can they explain the product vision and its inner workings to non-technical buyers?
- ✓ Are they effective at motivating engineers into a 24/7 work ethic without burning them out or driving shoddy work?
- ✓ Is there an executive who will be credible and compelling to potential investors?

The First Customer Stage

► The First Customer Stage

- The rubber hits the road and the viability of the idea gets its first real test – if someone will buy it, the company has a future

► Things to keep in mind

- Closing lighthouse accounts (or signing up a large set of invite-only beta users) is the single biggest step for credibility and long term value
- Don't worry about revenue if you don't have to
- Customers that buy from untested companies are unique and don't scale
- The art of management starts to become important but fire-fighting still works

The Numbers

1 to 2

Levels of Management

**\$0 -
\$1m**

Revenue

5-30

People

**\$250k-
\$1m**

Capital required

Quick Quiz for “First Customer” Management Teams



- ✓ Can your CEO or head of sales personally close the first few customers without help (other than technical assistance)?
- ✓ Are the founders and execs willing to compromise their original vision to meet the needs of their lighthouse customers?
- ✓ Can the execs successfully play multiple roles (sales, support, marketing, finance, etc) until the company is large enough to hire specialists?



“ The single hardest part of growing a company is telling someone that was crucial to getting your company to its current success that they are now an obstacle to its future.”

The “Many Customers” Stage

► The Many Customer Stage

- This stage is where an idea gets translated into shareholder value – it’s harder than it looks

► Things to keep in mind

- The culture must shift away from pure leadership towards a balance with management (bus driver management)
- A surprising number of companies actually die or get sold off for little value at this point
- Avoid promoting your salespeople or engineers into management roles (despite their ambitions) – they rarely make good managers and you lose key individual contributions

The Numbers

2 to 3

Levels of
Management

~\$10m

Revenue

**25 -
100**

People

**\$5m -
\$10m**

Capital
required

Quick Quiz for “Many Customers” Management Teams



- ✓ Are your managers and second level executives comfortable executing on decisions that they, personally, don't necessarily agree with?
- ✓ Can the majority of your executives (except the CEO & COO) shift from being generalists into being specialists?
- ✓ Will the company culture move beyond celebrating “fire-fighting” solutions towards repeatable (boring) processes?

The “Grown Up” Stage

► The Grown Up Stage

- The idea is real, the market is viable, the management team can scale.
Profitability and predictability drive even more shareholder value

► Things to keep in mind

- Most companies experience a profound culture shift here – the sense of community and ownership diminishes
- Leadership is no longer automatically trusted; line feedback is filtered
- Actively developing internal leadership and management is essential
- An entirely new kind of less-risk-averse employee is now interested in working with you – take advantage of it

The Numbers

3 to 5	Levels of Management
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>\$10m	Revenue
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125++	People
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\$0	Capital required
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Quick Quiz for “Grown Up” Management



- ✓ Does at least some of your exec team like reading spreadsheets?
- ✓ Do any of your executive team have experience with building the processes and operations of a growing company?
- ✓ Will your executive team allow their staff to actually do the day to day work without micro-managing them *even if the quality of the work drops somewhat?*

A Few Other Key Points to Consider

- ▶ **No other role is more pivotal and defining in a company's growth**
- ▶ **The reasons that founders are awesome**
 - Founders defy conventional wisdom
 - Founders can convince anyone to follow them regardless of the danger signs
- ▶ **The reasons that founders are terrible**
 - Founders defy conventional wisdom
 - Founders can convince anyone to follow them regardless of the danger signs
- ▶ **As a company grows, it shifts from breaking the status quo towards delivering stability and predictability for the clients and employees who depend on it – most founders struggle with this**



Invention &
Prototype



Many
Customers &
Grown up

A Few Other Tidbits – The best management building ideas I've seen

- ▶ Keep the management in the same geography at all costs, especially in the early stages of a company
- ▶ Different styles and backgrounds are fine (and even a good thing) but always make sure everyone shares the same values
- ▶ Energy, brains and a burning need to prove themselves will trump a fancy resume every day.
- ▶ Create time outside of work for people to interact – give them an opportunity to remember why they like and respect each other. Pick up the tab.
- ▶ The longer a team works as a team, the better it will perform. The surprising part of this is that it often outweighs talent, resumes, and hours worked

Wrapping It Up

Wrapping It Up

- ▶ **Young growth companies are a paradox – the very things that make them successful when they're young will kill them as they grow up**
- ▶ **Management teams are often the most outward sign of the kinds of changes growth companies go through**
- ▶ **Each stage of a company's life has its unique opportunities and challenges – looking at them as a continuum greatly undermines a company's opportunity for success**



Thank You

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