

# **Culture Can Kill Companies: How To Avoid Imploding**

LAUNCH SCALE

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# The Three Stages of a Startup

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## Family

**<25 people**

Fighting for each  
early customer

Rapid early  
product iterations

## Tribe

**<125 people**

Building a  
repeatable process

Easy to buy, quick  
to succeed

## Town

**125+ people**

Scale as fast as  
possible

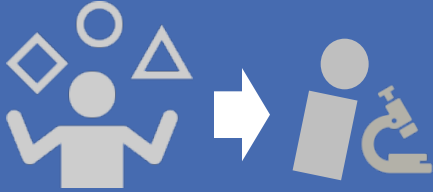
Controls and  
redundancy

# How Culture Can Kill Your Company As You Scale



## Doing Too Much

Opportunities grow faster than headcount. Communications breakdown. Priorities get lost. Quality plummets.



## Generalist to Specialist

Family-size companies require generalists. Town-sized companies require specialists. Most people can't make the shift.



## Dunbar's Number

Dunbar's famous hypothesis<sup>1</sup> that people cannot have more than 150 close relationships. Adding people reduces interpersonal trust geometrically.

1. [https://en.wikipedia.org/wiki/Dunbar%27s\\_number](https://en.wikipedia.org/wiki/Dunbar%27s_number)

# Survival Tips For Avoiding a Culture Implosion

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1. Avoid the Right Leaders at the Wrong Time
2. Set Three Goals Per Person
3. Keep Placing Small, Strategic Bets
4. Embrace a Mission

## Survival Tip 1:

### **Avoid the Right Leaders at the Wrong Time**

The very best leaders for the Family and even Tribe stage are often the very worst leaders for the Town stage. Make the hard decisions fast: hire their bosses or move them out

(note: the CEO/Founder is a special case)

## Survival Tip 2:

### **Set Three Goals Per Person**

Rules for setting goals:

1. Three goals, no more, no less
2. Start with CEO and include other execs and department heads
3. Must cascade down OR align with the mission
4. Must be stated as outcomes or results (do not define as work to be performed)
5. Must be measurable or have a clear deliverable
6. Must be published so all employees can see it
7. Repeat every 3 or 6 months, depending on company stage

## Survival Tip 3:

# Keep Placing Small, Strategic Bets

### Theory:

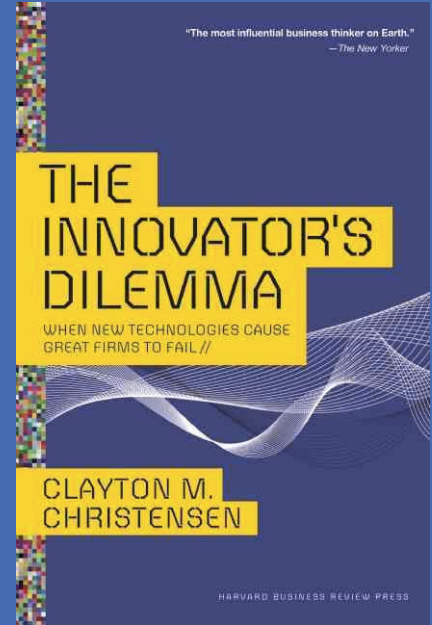
You've perfected the product, market, and customer mix

You want to put all your resources into growth

### Reality

Plan A never goes as planned

Your fastest growth may be a full pivot away – starting testing now



## Survival Tip 4:

### **Embrace a Mission *with conviction***

The most powerful force in the universe is human belief.

You don't need a mission for the Family and Tribe stage but you'll implode without one in Town.

Three secrets of missions:

1. It's fine, even necessary, to change your mission every few years if you have to
2. Your mission should be about your customers or the world, never about your company
3. The difference between a mission and a marketing statement is how much you're willing to bet on it



# Facebook's IPO – Top Example of Prioritizing a Mission

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**Facebook, Inc.**  
(Exact name of Registrant as specified in its charter)

***Our culture emphasizes rapid innovation and prioritizes user engagement over short-term financial results.***

We have a culture that encourages employees to quickly develop and launch new and innovative products. As our business grows and becomes more complex, our cultural emphasis on moving quickly may result in unintended outcomes or decisions that are poorly received by users, developers, or advertisers. Our culture also prioritizes our user engagement over short-term financial results, and we frequently make product decisions that may reduce our short-term revenue or profitability if we believe that the decisions are consistent with our mission and benefit the aggregate user experience and will thereby improve our financial performance over the long term. These decisions may not produce the long-term benefits that we expect, in which case our user growth and engagement, our relationships with developers and advertisers, and our business and results of operations could be harmed.

**Our Mission and Our Business**

As I said above, Facebook was not originally founded to be a company. We've always cared primarily about our social mission, the services we're building and the people who use them. This is a different approach for a public company to take, so I want to explain why I think it works.

I started off by writing the first version of Facebook myself because it was something I wanted to exist. Since then, most of the ideas and code that have gone into Facebook have come from the great people we've attracted to our team.

Most great people care primarily about building and being a part of great things, but they also want to make money. Through the process of building a team — and also building a developer community, advertising market and investor base — I've developed a deep appreciation for how building a strong company with a strong economic engine and strong growth can be the best way to align many people to solve important problems.

Simply put: we don't build services to make money; we make money to build better services.



“One more thing...”

Bill Nussey



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