

Culture Can Kill Companies: How To Avoid Imploding

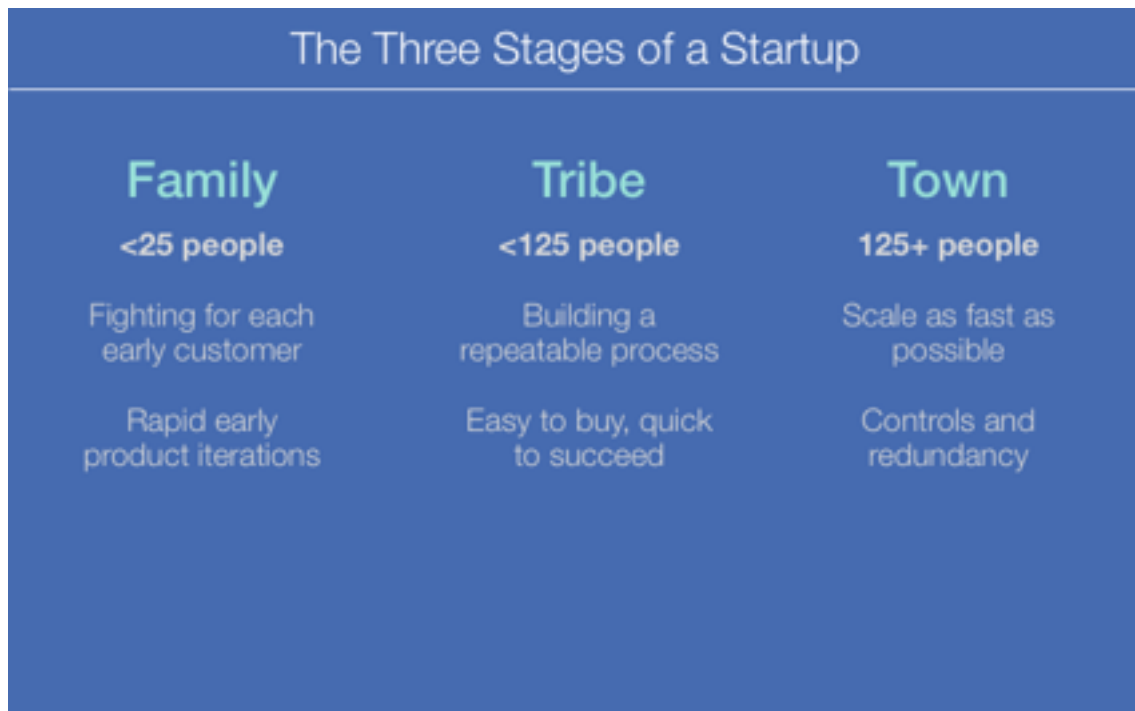
LAUNCH SCALE

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Silverpop CEO

OPENING STORY

- In 2011, my company was one of the largest marketing automation companies around. We had a great product, a great team, plenty of cash but we were at risk of losing our momentum. I want to tell you how we turned this around, ignited the after burners, and sold it to IBM last year.
- I am Bill Nussey, the CEO of Silverpop and most recently the VP Strategy at IBM
- I'm passionate about the science of scaling an organization
- I've come at this from many different perspectives
- Venture capitalist with Greylock
- Sat on dozens of boards
- Acquired 30+ companies
- CEO 3x, 60, 3000 and 500 people
- Taken one public
- Now I help IBM's exec team set the company's strategy – 450,000 people
- Spend a few minutes sharing a few things I've learned



AUDIENCE QUESTION: How many of you are in companies of 25 or less? 25-125? 125+

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 hypothesis¹ that people cannot have more than 150 close relationships. Adding people reduces interpersonal trust geometrically.

1. https://en.wikipedia.org/wiki/Dunbar%27s_number

STORY: used to run a public company in the professional services space with almost two dozen offices across the world. Some offices were doing great. Some were struggling. We couldn't crack it. Eventually, we put all the information on a spreadsheet and the answers jumped out. The differences between those succeeding and those failing were: 1) management teams that had worked together for a year or more, and 2) nearly every office that grew to 150 people stumbled big-time for a few quarters or more

SIDE NOTE: The self-management craze, including things like Holocracy, has a lot of benefit. It's a variation on a set of ideas that have been around for decades. It's a novel way get through tribe but the number of instances where it works at the Town stage are very, very rare. Be careful not to invest too much energy in this approach if you plan to grow to several hundred people.

Survival Tips For Avoiding a Culture Implosion

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)

STORY: Years ago, I worked with a close friend and a key executive on our team. He was brilliant, visionary and a key reason our company had been so successful. He was widely respected because he never hesitated to jump in and do whatever it took. He never said, “that’s not my job”. As the company grew, those strengths turned into liabilities. He was so passionate about getting stuff done that he struggled to hand off work to the growing team under him. Even more challenging, he always had a very clear idea of HOW their work should be done. In short, this dedicated, brilliant exec turned out to be micro-manager as the company scaled. Eventually he left the company. In my experience, there is nothing harder in business than when one of the people most responsible for your success in the past turns out to be the biggest liabilities for the company’s future.

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

STORY: At Silverpop, we did the typical annual planning and assigned cascading goals. Many execs had a dozen and one exec even had 25 goals. Guess how many she got done? Answer: I'm not sure – it was a mess – it was so much trouble to track that we just put things back in auto-pilot and lost most of the value of our planning.

1.

2.

3.

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



STORY: As you get past the Family stage, your instinct is to invest every resource and every bit of energy into accelerating your growth. But, like the large companies covered in *The Innovator's Dilemma*, small companies also need to be placing strategic bets outside their main business. One of my favorite examples at Silverpop was the creation of a group we called Emerging Apps. This group was run by a few of Silverpop's most talented and entrepreneurial people and it was chartered directly and actively by me. To let this group be truly agile, we removed many of the constraints required of other parts of the business. They had higher flexibility on hiring, spending and coding requirements. This wasn't entirely popular but the impact was undeniable. Within a year, they had reached nearly a million dollars in sales and were paying for themselves. As we grew, this group brought their super-agile approach to some of the most important initiatives in the business.

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.
(If not 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

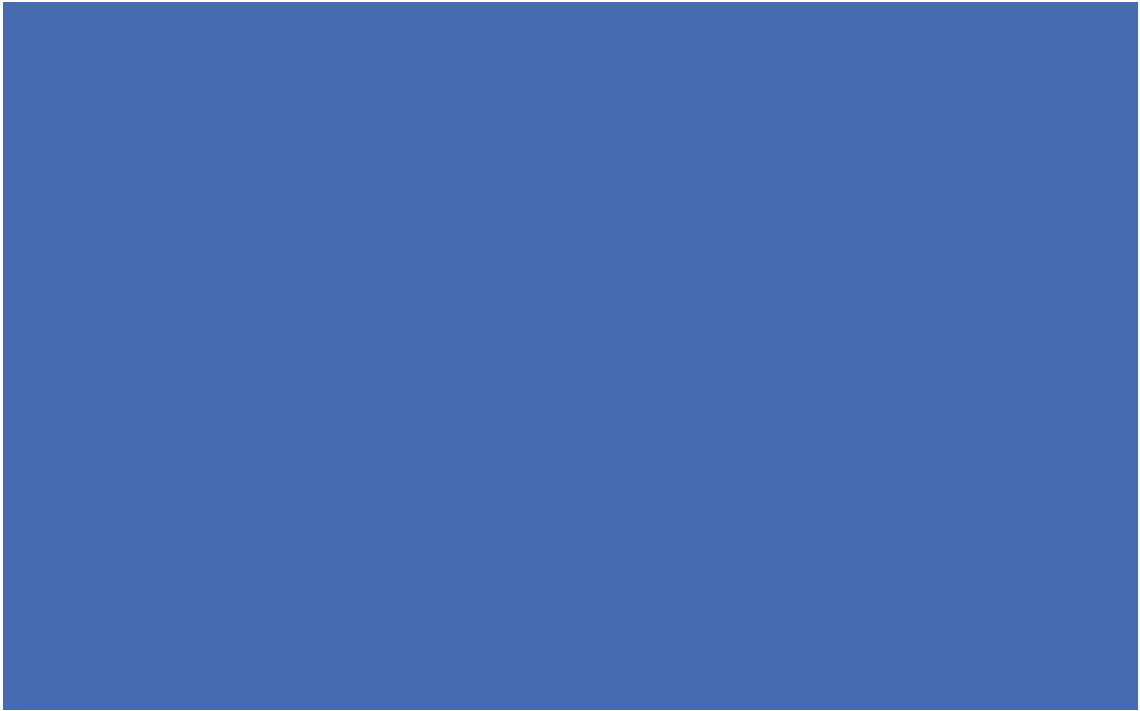
As I said above, Facebook was not originally founded to be a company. We've always cared primarily about our social mission, the services we're building and the people who use them. This is a different approach for a public company to take, so I want to explain why I think it works.

I started off by setting 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.

Mark Zuckerberg made ones of the boldest mission statements ever made – right in the middle of his companies IPO filing.



PAUSE – purposefully blank

“One more thing...”

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