

Introduction

- There is no recipe for really complicated, dynamic situations
- That is the hard thing about hard things – there is no formula for dealing with them
- I do not attempt to present a formula in this book. Instead, I present my story and the difficulties that I have faced.
- Building a company inevitably leads to tough times
- I share my experiences in the hope of providing clues and inspiration for others who find themselves in the struggle to build something out of nothing

Chapter 1: From Communist to Venture Capitalist

- Until you make the effort to get to know someone or something, you do not know anything
- There are no shortcuts to knowledge, especially knowledge gained from personal experience
- **Turn Your Shit In:** Former Secretary of State Colin Powell says that leadership is the ability to get someone to follow you even if only out of curiosity
- Most business relationships either become too tense to tolerate or not tense enough to be productive after a while
 - Either people challenge each other to the point where they do not like each other or they become complacent about each other's feedback and no longer benefit from the relationship

Chapter 2: I Will Survive

- The valuation and the size of the funding were signs of the times and created an imperative to get big and capture the market before similarly well-funded competitors could
- During this time, I learned the most important rule of raising money privately:
 - Look for a market of one
 - You only need one investor to say yes, so it is best to ignore the other thirty who say no
- For most CEOs the night before their public offering is a highlight. For me, it was a highlight of depression
- **If You Are Going to Eat Shit, do not Nibble:** No matter what we say, we are going to get killed
 - As soon as we reset guidance, we will have no credibility with investors, so we might as well take all the pain now because nobody will believe any positivity in the forecast anyway
 - If you are going to eat shit, do not nibble
- Close calls are a sign that the operations of the company are too fragile
- Peacetime CEO vs. Wartime CEO → The only choices are survival or total destruction
- On mergers and acquisitions ...
 - Gentlemen, I have done many deals in my lifetime and through that process, I have developed a methodology a way of doing things, a philosophy if you will
 - Within that philosophy, I have certain beliefs. I believe in artificial deadlines
 - I believe in playing one against the other



- I believe in doing everything and anything short of illegal or immoral to get the damned deal done
- Selling LoudCloud meant selling about 150 employees to EDS and laying off another 140
 - If we had not treated the people who were leaving fairly, the people who stayed would never have trusted me again
 - Only a CEO who had been through some awful, horrible, devastating circumstances would know to give that advice at that time

Chapter 3: This Time with Feeling

- I realized that nobody besides me knew how bad things had become and nobody besides me believed in the future, so I decided to take the employees off-site and resell them on the opportunity
- At the end of the day, I tried to be as honest as humanly possible
- We need to know who is with us and whom we can count on. We cannot afford to slowly bleed out. You owe it to your teammates, to be honest. Let us know where you stand
- An early lesson I learned in my career was that whenever a large organization attempts to do anything, it always comes down to a single person who can delay the entire project
- It turns out that is exactly what product strategy is all about – figuring out the right product is the innovator’s job, not the customer’s job
 - The customer only knows what she thinks she wants based on her experience with the current product
 - The innovator can consider everything possible but often must go against what she knows to be true
- Sometimes you need to focus on **“What Are We Not Doing?”**
- Conventional wisdom had nothing to do with the truth and the efficient market hypothesis was deceptive
 - No, markets were not efficient at finding the truth; they were just very efficient at converging on a conclusion – often the wrong conclusion
 - Ironically the higher the stock price went up, the more companies wanted to buy us
- Note to self: It is a good idea to ask, “What am I not doing.”
- The risks of staying stand-alone were substantial, but I still wanted to bet on the team. I recommended to the board that we not sell.
 - Were they up for yet another giant challenge or were they at the end of a very long road?
- When it finally ended – the long road from LoudCloud to Opsware – I could not believe that I had sold what it took eight years and all of my life force to build
 - How could I have done that?
 - We had built something from nothing, saw it go back to nothing again, and then rebuilt it into a \$1.65 billion franchise

Chapter 4: When Things Fall Apart

- There has been a power shift toward the idea that statistical ways of thinking are going to drive the future



- Through the seemingly impossible LoudCloud Series C and IPO processes, I learned one important lesson: Startup CEOs should not play the odds.
 - When you are building a company, you must believe there is an answer and you cannot pay attention to your odds of finding it
 - You just have to find it. It does not matter whether your chances are nine in ten or 1:1000 because your task is the same
- What is the secret to being a successful CEO? → the ability to focus and make the best move when there are no good moves
- The first principle of the Bushido – the way of the warrior: keep death in mind at all times
 - If a warrior keeps death in mind at all times and lives as though each day might be his last, he will conduct himself properly in all his actions
 - Similarly, if a CEO keeps the following lessons in mind, she will maintain the proper focus when hiring, training, and building her culture

THE STRUGGLE

- Life is struggle – Karl Marx
- The Struggle is where greatness comes from
- Get the maximum number of brains on the problems even if the problems represent existential threats
- If you survive long enough to see tomorrow, it may bring you the answer that seems so impossible today

CEOs SHOULD TELL IT LIKE IT IS

- My single biggest personal improvement as CEO occurred on the day when I stopped being too positive
- You can screw up your company by being too positive
 - In my mind, I was keeping everyone in high spirits by accentuating the positive and ignoring the negative
 - But my team knew that reality was more nuanced than I was describing it
 - And not only did they see for themselves the world was not as rosy as I was describing it; they still had to listen to me blowing sunshine up their asses at every company meeting
 - *This is the Positivity Delusion*
- Why it is imperative to tell it like it is?
 - Trust – without trust, communication breaks
 - In any human interaction, the required amount of communication is inversely proportional to the level of trust
 - If I trust you completely, then I require no explanation or communication of your actions whatsoever because I know that whatever you are doing is in my best interests
 - On the other hand, if I do not trust you at all, then no amount of talking, explaining, or reasoning will have any effect on me, because I do not trust that you are telling me the truth



- A CEO's ability to build this trust over time is often the difference between companies that execute well and chaotic companies
- The more brains working on the hard problems, the better
 - It is a total waste to have lots of big brains but not let them work on your biggest problems
- A good culture is like the old RIP routing protocol: Bad news travels fast; good news travels slow
 - If the employees knew about the deadly problems, why didn't they say something?
 - Too often the answer is that the company culture discouraged the spread of bad news, so the knowledge lay dormant until it was too late to act
 - A healthy company culture encourages people to share bad news
 - The resulting action item for CEOs: Build a culture that rewards – not punishes – people for getting problems into the open where they can be solved
- If you run a company, you will experience overwhelming psychological pressure to be overly positive. Stand up to the pressure, face your fear, and tell it like it is

THE RIGHT WAY TO LAY PEOPLE OFF

- Layoffs inevitably break the company's culture because after seeing their friends laid off, employees are no longer willing to make the requisite sacrifices needed to build a company

PREPARING TO FIRE AN EXECUTIVE

- The wrong way to view an executive firing is as an executive failure
- The correct way to view an executive firing is as an interview/integration process system failure
- The most consistently wrong advice that venture capitalists and executive recruiters give CEOs is to hire someone "bigger" than required
- Make sure you hire the right kind of fast-growth executive
- Leaving a failing leader in place will cause an entire department in your company to slowly rot

DEMOTING A LOYAL FRIEND

- The day came when I needed to hire someone else, someone with more experience, to run the function that I had previously entrusted to my loyal friend
- The good of the individual must be sacrificed for the good of the whole
- If you cannot afford to lose him, you cannot make this change

LIES THAT LOSERS TELL

- He said they were not lying to investors, but rather, they were lying to themselves
- Andy explained that humans, particularly those who build things, only listen to leading indicators of good news

LEAD BULLETS

- There are no silver bullets for this, only lead bullets
- We had to build a better product. There was no other way out



- There comes a time in every company's life when it must fight for its life
- If our company is not good enough to win, then do we need to exist at all?

NOBODY CARES

- "Bill, nobody cares, just coach your team."
 - That might be the best CEO advice ever
- When things go wrong in your company, nobody cares
- Spend zero time on what you could have done, and devote all of your time on what you might do. Because in the end, nobody cares; just run your company

Chapter 5: Take Care of the People, The Products, And the Profits – In That Order

- I had learned the hard way that when hiring executives, one should follow Colin Powell's instructions and hire for strength rather than lack of weakness
- The world looks one way in peacetime but very different when you must fight for your life every day.
 - In times of peace, one has time to care about things like appropriateness, long-term cultural consequences, and people's feelings
 - In times of war, killing the enemy and getting the troops safely home is all that counts
 - I was at war and I needed a wartime general. I needed Mark Cranney
- **We take care of the people, the products, and the profits – in that order**
- Taking care of the people is the most difficult of the three by far and if you do not do it, the other two will not matter.
 - Taking care of the people means that your company is a good place to work
 - **If your company is a good place to work, you too may live long enough to find your glory**

A GOOD PLACE TO WORK

- **The more I thought about it, the more I realized that while I had told the team "What" to do, I had not been clear about "why" I wanted them to do it**
 - Clearly, my authority alone was not enough to get them to do what I wanted
- **In good organizations, people can focus on their work and have confidence that if they get their work done, good things will happen for both the company and them personally.**
- **In poor organizations, on the other hand, people spend much of their time fighting organizational boundaries, infighting, and broken processes**

WAS THAT REALLY NECESSARY?

- Being a good company does not matter when things go well, but it can be the difference between life and death when things go wrong
- Things always go wrong
- Being a good company is an end in itself

THE DIFFERENCE BETWEEN LIFE AND DEATH



- In fact, the only thing that keeps an employee at a company when things go horribly wrong – other than needing a job – is that she likes her job

THINGS ALWAYS GO WRONG

- In bad companies, when the economics disappear, so do the employees
- The company declines in value, the best employees leave, the company declines in value, and the best employees leave.
- Spirals are extremely difficult to reverse

BEING A GOOD COMPANY IS AN END IN ITSELF

- GO was a good place to work
- This made me realize what an amazingly effective CEO Bill was
- He was about building good companies
- If you do nothing else, be like Bill and build a good company

WHY STARTUPS SHOULD TRAIN THEIR PEOPLE

- **A lot of companies think their employees are so smart that they require no training. That is silly**
- Most managers seem to feel that training employees is a job that should be left to other like HR
 - I on the other hand, strongly believe that the manager should do it himself
- As a manager, we are responsible for the mistakes that our subordinates make
 - **A manager has two ways to improve the performance of a subordinate:**
 - 1. Increase direct report's motivation**
 - 2. Increase direct report's capabilities**
 - Training improves capabilities but must be closely tied to how things are actually performed in the organization and it must be consistent and scheduled (BE DELIBERATE)
 - We recommend that between 2% to 4% of an employee's time be spent in learning – 2 hours a week

WHY YOU SHOULD TRAIN YOUR PEOPLE

1. Productivity – how many fully productive employees have we added?
 - Training is quite simply one of the highest-leverage activities a manager can perform
2. Performance Management
 - When you fired the person, how did you know with certainty that the employee both understood the expectations of the job and was still missing them?
 - The best answer is that the manager clearly set expectations when she trained the employee for the job
 - If you do not train your people, you establish no basis for performance management
3. Product Quality
4. Employee Retention



- There are generally two primary reasons why people quit:
 - They hated their manager; generally, employees were appalled by the lack of guidance, career development, and feedback they were receiving
 - They were not learning anything: The company was not investing resources in helping employees develop new skills

WHAT SHOULD YOU DO FIRST? FUNCTIONAL TRAINING + MANAGEMENT TRAINING

- Functional training can be as simple as training a new employee or your expectations for them
 - As a happy side effect, this type of effort will do more to build a powerful, positive company culture than a hundred culture-building strategic off-site meetings
- Management training is the best place to start setting expectations for your management team
 - You should expect them to hold regular one-on-one meetings with their employees
 - They should give performance feedback
 - They should train their people
 - They should set the objectives with their team
- **Ironically, the biggest obstacle to putting a training program in place is the perception that it will take too much time**
 - Keep in mind that there is no investment that you can make that will do more to improve productivity in your company

IS IT OKAY TO HIRE PEOPLE FROM YOUR FRIEND'S COMPANY?

- The best companies invest time, money, and sweat equity into becoming world-class recruiting machines
- People generally leave companies when things are not going well
- Nothing will cut deeper than losing a great employee because she knows that the other employees will see that as a leading indicator of the company's demise

WHY IT'S HARD TO BRING BIG COMPANY EXECS INTO LITTLE COMPANIES

- The most important thing to understand is that the job of a big company executive is very different from the job of a small company executive
- As a result, big company executives tend to be interrupt-driven
- Running a large organization requires very different skills than creating and building an organization
 - On the other hand, you have to be very adept at running a high-quality hiring process, have terrific domain expertise (you are personally responsible for quality control), know how to create processes from scratch and be extremely creative about initiating new directions and tasks
- How can you stop things from going horribly wrong?



- Screen for devastating mismatches in the interview process
- Take integration as seriously as interviewing
- Small company executives have to have a desire to do more creating than running processes

HIRING EXECUTIVES: IF YOU HAVE NEVER DONE THE JOB, HOW DO YOU HIRE SOMEBODY GOOD?

- You must hire the right person for your company at this particular point in time
- The more experience you have, the more you realize that there is something seriously wrong with every employee in your company (including you). Nobody is perfect
- Consensus decisions about executives almost always sway the process away from strength and toward lack of weakness
- It is a lonely job, but someone has to do it

WHEN EMPLOYEES MISINTERPRET MANAGERS

- The Art of War warns that giving the team a task that it cannot possibly perform is called crippling the army.
- The right thing to do would have been to make the hard decision up front, about what was more important, maximizing each quarter or increasing predictability
- Focusing too much on the numbers
 - I managed the team to a set of numbers that did not fully capture what I wanted.
 - I wanted a great product that customers would love with high quality and on time – in that order
 - Unfortunately, the metrics that I set did not capture those priorities
 - **At a basic level, metrics are incentives**
 - By measuring quality, features, and schedule and discussing them at every staff meeting, my people focused intensely on those metrics to the exclusion of other goals
 - The metrics did not describe the real goals and I distracted the team as a result
- Managing strictly by the numbers is like painting by the numbers
 - If you report on the quantitative goals and ignore the qualitative ones, you will not get the qualitative goals, which may be the most important ones
 - Management purely by the numbers is sort of like painting by the numbers – it is strictly for amateurs
 - At HP, the company wanted high earnings now and, in the future
 - By focusing entirely on the numbers, HP got them now by sacrificing the future
- Qualitative goals that help and matter:
 - Was our competitive win rate increasing or decreasing?
 - Was customer satisfaction rising or falling?
 - What did our own engineers think of the products?

MANAGEMENT DEBT

- There also exists a less understood parallel concept, which I will call management debt
- **Management debt is incurred when you make an expedient, short-term management decision with an expensive, long-term consequence**
- Like technical debt, the trade-off sometimes makes sense but often does not



- More importantly, if you incur the management debt without accounting for it, then you will eventually go management bankrupt
- Putting Two in The Box
 - The really expensive part about both of these things is that they tend to get worse over time
- No Performance Management or Employee Feedback Process
 - Your company now employs 25 people and you know that you should formalize the performance management process
 - In a vacuum of feedback, there is almost no chance that your company will perform optimally across either dimension
 - People rarely improve weaknesses they are unaware of
 - The ultimate price you will pay for not giving feedback: systemically crappy company performance

MANAGEMENT QUALITY ASSURANCE

- In theory, HR wants a well-managed company with a great culture
- A high-quality human resources organization cannot make you a well-managed company with a great culture, but it can tell you when you and your managers are not getting the job done

Chapter 6: Concerning The Going Concern

HOW TO MINIMIZE POLITICS IN YOUR COMPANY

- Political behavior almost always starts with the CEO
- In fact, it is often the least political CEOs who run the most ferociously political organizations
- Apolitical CEOs frequently and accidentally encourage intense political behavior
- What do I mean by politics?
 - I mean people advancing their careers or agendas by means other than merit and contribution
- **The right kind of ambition is ambition for the company's success with the executive's own success only coming as a by-product of the company's victory**
- The wrong kind of ambition is an ambition for the executive's success regardless of the company's outcome

THE RIGHT KIND OF AMBITION

- When hiring a management team, most startups focus almost exclusively on IQ, but a bunch of high-IQ people with the wrong kind of ambition will not work
- At a macro level, a company will be most successful if the senior managers optimize for the company's success (think of this as a global optimization) as opposed to their success (local optimization)
- Nothing motivates a great employee more than a mission that is so important that it supersedes everyone's ambition
- It is helpful to watch for small distinctions that indicate whether they view the world through the me prism or the team prism



- The person with the right kind of ambition will tend to be far more interested in how your company will win than in how they will be compensated or what their career path will be

WHEN SMART PEOPLE ARE BAD EMPLOYEES

- Example 1: The Heretic
 - Rather than identifying weaknesses so that he can fix them, he looks for faults to build his case
 - Simply put, it takes a really smart person to be maximally destructive, because otherwise, nobody else will listen to him
- As a company grows, its biggest challenge always becomes communication
 - Keeping a huge number of people on the same page and executing the same goals is never easy

OLD PEOPLE

- Even if nobody beats you to the punch, no matter how beautiful your dream most employees will lose faith after the first five or six years of not achieving it
- Hiring someone who has already done what you are trying to do can radically speed up your time to success
- But CEO beware ... Hiring senior people into a startup is kind of like an athlete taking performance-enhancing drugs.
 - If all goes well you will achieve incredible new heights
 - If all goes wrong, you will start degenerating from the inside out
- **The proper reason to hire a senior person is to acquire knowledge and experience in a specific area**
- Asking yourself: Do I value internal or external knowledge more for this position? Will help you determine whether to go for experience or youth

ONE-ON-ONE

- **Absent a well-designed communication architecture, information and ideas will stagnate, and your company will degenerate into a bad place to work**
- The key to a good one-on-one meeting is the understanding that it is the employee's meeting rather than the manager's meeting.

PROGRAMMING YOUR CULTURE

- Two or three times better will not be good enough to get people to switch to the new thing fast enough or in large enough volume to matter
- The second thing that any technology startup must do is to take the market
- If it is possible to do something 10x better, it is also possible that you will not be the only company to figure that out
- Therefore, you must take the market before somebody else does

CREATING A COMPANY CULTURE

- What will distinguish you from competitors



- Ensure that critical operating values persist such as delighting customers or making beautiful products
- Help you identify employees who fit with your mission
- Perks are good, but they are not culture.
 - They do not establish a core value that drives the business and helps promote it in perpetuity

TAKING THE MYSTERY OUT OF SCALING A COMPANY

- So, if you want to do something that matters, then you are going to have to learn the black art of scaling a human organization

THE BASIC IDEA: GIVE GROUND GRUDGINGLY

- The following things become big challenges when you grow from a small company to a large one:
 - Communication
 - Common Knowledge
 - Decision Making
- So, the challenge is to grow but degrade as slowly as possible

ORGANIZATIONAL DESIGN

- The first rule of organizational design is that all organizational designs are bad
- Your goal is to choose the least of all evils
 - Think of the organizational design as the communications architecture for your company
- If you want people to communicate, the best way to accomplish that is to make them report to the same manager

PROCESS

- The purpose of the process is communication
- A communication bus or, to use the conventional term for human communication buses, a process
- In the case of the interview process, an outstanding employee is the goal so what is the process to get you there?
- Be mindful of your company's true growth rate as you add architectural components
- It is good to anticipate growth, but it is bad to over-anticipate growth

THE SCALE ANTICIPATION FALLACY

- As CEO, you must constantly evaluate all the members of your team
 - However, evaluating people against the future needs of the company based on a theoretical view of how they will perform is counterproductive, for the following reasons:
 - Managing at scale is a learned skill rather than a natural ability
 - It is nearly impossible to make the judgment in advance



- The act of judging people in advance will retard their development
- Hiring scalable execs too early is a bad mistake
- You should evaluate your team at least once a quarter on all dimensions

Chapter 7: How To Lead Even When You Do Not Know Where You Are Going

- **Perhaps the most important thing that I learned as an entrepreneur was to focus on what I needed to get right and stop worrying about all the things that I did wrong or might do wrong**

THE MOST DIFFICULT CEO SKILL

- By far the most difficult skill I learned as CEO was the ability to manage my own psychology
- The first problem is that everybody learns to be a CEO by being a CEO
- Even if you know what you are doing, things go wrong
- Things go wrong because building a multi-faceted human organization to compete and win in a dynamic, highly competitive market turns out to be really hard

NOBODY TO BLAME

- Every problem in the company was indeed my fault
- As the founding CEO, every hire, and every decision that the company ever made happened under my direction
- Being responsible for everything and getting a 22 on the test starts to weigh on your consciousness
- CEOs often make one of the following two mistakes:
 - They take things too personally
 - They do not take things personally enough

IT IS A LONELY JOB

- The key to getting to the right outcome was to keep from getting married to either the positive or the dark narrative
- Tip to aspiring entrepreneurs: If you do not like choosing between horrible and cataclysmic, do not become a CEO
- At times like this, it is important to understand that nearly every company goes through life-threatening moments
 - As he describes it, every company goes through at least two and up to five of these episodes
- In all cases, we are Fucked, it is Over episodes feel much worse than they are – especially for the CEO

TECHNIQUES TO CALM YOUR NERVES

- Focus on the road, not the wall – when someone learns to drive a race car, one of the first lessons taught is that when you are going around a curve at 200 mph, do not focus on the wall
 - Focus on the road because if you focus on the wall, you will drive right into it.



- If you focus on the road, you will follow the road
- Running a company is like that
- Great CEOs face the pain
 - Mediocre CEOs point to their brilliant strategic moves or their intuitive business sense or a variety of other self-congratulatory explanations.
 - The great CEOs tend to be remarkably consistent in their answers. They all say I did not quit

THE FINE LINE BETWEEN FEAR AND COURAGE

- When my partners and I meet with entrepreneurs, the two key characteristics that we look for are brilliance and courage
- In my experience as CEO, I found that the most important decisions tested my courage far more than my intelligence
- **The right decision is often obvious, but the pressure to make the wrong decision can be overwhelming**
- Because the founders do not dare to decide who is in charge, every employee suffers the inconvenience of double approval

	You are right	You are wrong
You decide against the crowd	Few remember that you made the decision, but the company succeeds	Everybody remembers the decision and you are downgraded, ostracized, or fired
You decide with the crowd	Everyone who advised you remembers the decision and the company succeeds	You receive the minimum blame possible for getting it wrong, but the company suffers

- **On the surface, it appears that if the decision is a close call, it is much safer to go with the crowd**
 - **In reality, if you fall into this trap, the crowd will influence your thinking and make a 70-30 decision seem like a 51-49 decision → THIS IS WHY COURAGE IS CRITICAL**
- Every time you make the hard, correct decision you become a bit more courageous and every time you make the easy, wrong decision you become a bit more cowardly

ONES AND TWOS

- I will focus the discussion on two core skills for running an organization
 1. Knowing what to do
 2. Getting the company to do what you know
- Ones sometimes get bored with many of the important execution details required to run a company, such as process design, goal setting, structured accountability, training, and performance management
- Twos insist upon super-clear goals and strongly prefer not to change goals or direction unless absolutely necessary
- One's end up in chaos and Twos fail to pivot when necessary

FOLLOW THE LEADER



Raw Notes: The Hard Things About Hard Things: Building a Business When There Are No Easy Answers (2014)

- The ability to articulate the vision
- The right kind of ambition
- The ability to achieve the vision
- The right kind of ambition: The Bill Campbell Attribute
 - The first thing that any successful CEO must do is get great people to work for her
 - Smart people do not want to work for people who do not have their interests in mind and in heart
 - Truly great leaders create an environment where the employees feel that the CEO cares more about the employees than she cares about herself
- The ability to achieve the vision: The Andy Grove Attribute
 - The final leg of our leadership stool is competence, pure and simple

PEACETIME CEO/WARTIME CEO

- Peacetime in business means those times when a company has a large advantage over the competition in its core market, and its market is growing
 - In times of peace, the company can focus on expanding the market and reinforcing the company's strengths
 - In peacetime, leaders must maximize and broaden the current opportunity
- In wartime, a company is fending off an imminent existential threat
 - In wartime, the company typically has a single bullet in the chamber and must, at all costs, hit the target
 - The company's survival in wartime depends upon strict adherence and alignment to the mission
- Interestingly, most management books describe peacetime CEO techniques and very few describe wartime
- The peacetime CEO does not resemble the wartime CEO
- Mastering both wartime and peacetime skills means understanding the many rules of management and knowing when to follow them and when to violate them
- Be aware that management books tend to be written by management consultants who study successful companies during their times of peace

MAKING YOURSELF CEO

- If you do what feels most natural as a CEO, you may also get knocked out cold
- Yet to be a good CEO, to be liked in the long run, you must do many things that will upset people in the short run. Unnatural things
- **Giving feedback turns out to be the unnatural atomic building block atop which the unnatural skill set of management gets built. But how does one master the unnatural?**
- As CEO, you should have an opinion on absolutely everything
 - You should have an opinion on every forecast, every product plan, every presentation, and even every comment

HOW TO EVALUATE CEOS

- Does the CEO know what to do?



- In good companies, the story and the strategy are the same thing.
- As a result, the proper output of all the strategic work is the story
- When a company clearly articulates its story, the context for everyone – employees, partners, customers, investors, and the press – becomes clear
- **The CEO does not have to be the creator of the vision. Nor does she have to be the creator of the story. But she must be the keeper of the vision and the story. As such, the CEO ensures that the company story is clear and compelling.**
- At the detailed level, the output of knowing what to do is the speed and quality of the CEO's decisions
- Therefore, a CEO can most accurately be measured by the speed and quality of those decisions.
 - Great decisions come from CEOs who display an elite mixture of intelligence, logic, and courage
 - As already noted, courage is particularly important, because every decision that a CEO makes is based on incomplete information
 - At the time of any given decision, the CEO will generally have less than 10% of the information typically present in the post hoc HBS case study
 - As CEO, there is never enough time to gather all the information needed to decide
 - Great CEOs build exceptional strategies for gathering the required information continuously. They embed their quest for intelligence into all of their daily actions from staff meetings to customer meetings to one-on-ones
- Can the CEO get the company to do what she knows?
 - The CEO is responsible for the executive team plus the fundamental interview and hiring processes for all employees
 - She must make sure the company sources the best candidates and the screening processes yield the candidates with the right combination of talent and skills
 - Great CEOs constantly assess whether they are building the best team
 - In well-run organizations, people can focus on their work (as opposed to politics and bureaucratic procedures) and have confidence that if they get their work done, good things will happen both for the company and for them personally
 - By contrast, in a poorly run organization, people spend much of their time-fighting organizational boundaries and broken processes
- Did the CEO achieve the desired results against an appropriate set of objective
 - Therefore, the first task in accurately measuring results is setting objectives correctly

Chapter 8: First Rule of Entrepreneurship: There are No Rules

- I am telling this story today because just when you think there are things you can count on in business, you quickly find that the sky is purple

SOLVING THE ACCOUNTABILITY VS. CREATIVITY PARADOX AND STAYING GREAT

- To be a world-class company, you need world-class effort
- Holding people accountable for their promises is a critical factor in getting things done



- As CEO, you know that you cannot build a world-class company unless you maintain a world-class team
- While executives do not age nearly as fast as athletes do, companies, markets, and technologies change a thousand times faster than the game of football
- There are two kinds of cultures in this world:
 - Cultures where what you do matters
 - Cultures where all that matters is who you are

SHOULD YOU SELL YOUR COMPANY?

- The logical reasons:
 - A good basic rule of thumb is if
 - (a) You are very early on in a very large market and
 - (b) You have a good chance of being number one in that market, then you should remain stand-alone
 - The reason is that nobody will be able to afford to pay what you are worth, because nobody can give you that much forward credit
 - So, the judgment that you have to make is
 - (a) Is this market much bigger (more than an order of magnitude) than has been exploited today? And
 - (b) Are we going to be number?
 - If the answer to either (a) or (b) is no, then you should consider selling
 - If the answer to both is yes, then selling would mean selling yourself and your employees short
- If the company achieves product-market fit in a very large market and has an excellent chance to be number one, then the company will likely remain independent. If not, it will likely be sold

Chapter 9: The End of The Beginning

- Why did so few startup advisers and venture capitalists have any experience starting companies?
- We ought to start a venture capital firm. Our motto for general partners would be “**some experience required.**”
 - As in some experience in founding and running companies is required to advise people who are founding and running companies
- Someone who has designed a large organization, someone who knows great senior executives and brings prebuilt customer relationships, someone who knows what they are doing
- I was the founding CEO, not a professional CEO
- The best entrepreneurs will only work with the best venture capital firms
 - Once we realized this, we figured that if we had a better offering, word-of-mouth marketing would work now where it had not before
- **Hard things are hard because there are no easy answers or recipes**
 - They are hard because your emotions are at odds with your logic
 - They are hard because you do not know the answer and you cannot ask for help without showing weakness

