

Top Ten Tips for Running a Start-up Management Team at Mach 3

By Ron Wiener, CEO, Earth Class Mail Corp.

Whether a start-up is racing against larger competitors or just against time, it will nearly always have fewer resources than a sane person would deem necessary to get the job done. A rapid-growth start-up company is not for the sane, or the conventional – you have to be certifiably nuts to take on this kind of challenge. If you're still reading, welcome to the club!

Inevitably the difference in available resources will be made up for in sweat equity – hard work, long hours and low pay – that the management team is going to put in to get the job done regardless. Their motivation is purely to increase the value of their equity stake in the company. A start-up executive cannot view his cash compensation as a measuring stick of his seniority as he might in a large corporation.

When you ask start-up employees to work much harder *and* for much less compensation than the norm, they'd best be working together to make your start-up's stock becomes worth something meaningful someday – or else why bother? Unfortunately I can wallpaper my entire house with worthless stock certificates I earned as an employee of several start-ups that failed, before going off to launch my own.

Lacking a financial bonus from having worked at other people's start-ups (20 years ago now), I tried to draw some lessons from my previous CEOs' failings that would help me become a more effective CEO someday. Those lessons were more valuable than anything I learned in college (Full disclosure: I dropped out of Carnegie-Mellon after just three semesters in order to get in on the personal-computing boom in Silicon Valley in the early '80s). Just like pilots like to "hangar-fly" to share their sagas of life-and-death situations they survived, it's crucial for start-up CEOs to meet with their peers to share their lessons and challenges with each other – after all, even CEOs need their own support groups.

There are many ways to build value, to make the company's stock worth more, but rapid-growth start-ups need to do it *faster*. Even though we know that "speed kills," we have to ignore the posted speed limits if we're going to break out of the crowd of lame start-ups and actually achieve that VC financing and the major liquidity event that will create the value in the stock. Management teams cannot afford to be sloppy or undisciplined, or to let political infighting creep in. To realize their ultimate goals, they need to fly at Mach speeds, with wingtips 36 inches apart, and to avoid crashing into each other. Unfortunately it isn't easy to achieve "explosive growth" without occasionally having explosions -- and thus most rapid-growth start-ups fail before reaching that great liquidity event in the sky. How can we maximize our odds of success in such peril-fraught endeavors?

Here are 10 techniques I've developed or borrowed during the course of launching six rapid-growth start-up companies (and sitting on boards of numerous others) to help the team stay synchronized and effective, as well as have more fun with less stress:

1. **Establish and honor a Corporate Discipline Doctrine**

With the entire management team brainstorming we created a list of ground rules for our work style – everything from how we're going to run our meetings to how we use email to hiring practices, including approval processes for everything from budget modeling to marketing copy. By agreeing in advance to the maximum allowable number of reply-to-all's in an email thread (before a matter should really be handled in a meeting or by a small committee, rather than email), or how to set tight agendas for staff meetings, we minimize disparity in management styles that can lead to unproductive friction. More importantly, as a start-up hires rapidly, the “newbies” can read the Discipline Doctrine and instantly get up to speed on the company culture.

2. **Have your senior executives provide concise *Status Reports* every Friday**

By end-of-day Friday (with up to 24 hours' grace period) all senior exec team members are required to provide their status reports to the rest of the management team. These reports are automatically posted to our internal wiki website as well, so that there's a permanent record of what each executive accomplished each week. These reports are designed to keep our team synchronized and accountable, while making our Monday Staff Meetings (Item #3 below) as productive as possible.

The report format calls for each executive to detail, in easily read bulleted format, the following items:

- Requested agenda items for Monday Staff Meeting
- Tracking to current quarter's overall objectives
- Top priorities for the coming week
- Key accomplishments for the past week
- Assistance needed from others in order to allow them to meet their goals

These reports also serve two other purposes:

1. They provide members of the Executive Compensation Committee tremendous insights into the contributions and capabilities of each team member – a rare glimpse for outside board members who will be charged with setting MBOs and bonus structures for the executive team, and
2. As new members join the team, they can access the wiki to quickly study up on who does what, how effective they are in their roles, their communication styles, and what challenges the company has faced in the past and has ahead of it.

Expect some crankiness from your exec team if you implement such a system, but in the

end they will come to appreciate the self-discipline that this process stimulates in themselves and the rest of their teammates.

3. Schedule recurring Monday staff meetings

Why Mondays? Because every venture-fund partnership on the planet meets on Mondays, so we do the same. This minimizes the possibility of key members of the management team being absent from the staff meetings during fund-raising campaigns since no VC will be meeting with them on a Monday. When the company is running at Mach speeds, attendance at these meetings is hypercritical. We do whatever we can to make sure we don't miss too many of these coordination sessions.

By sending out status reports by Friday night, the team members have the weekend and Monday morning to catch up on everyone else's key action items. (What, you didn't know that as a start-up executive you were going to be doing some work on the weekends? Surely you jest!)

Meeting time is thus not wasted on going around the table just to hear everyone's status reports each week. Only items that require discussion and coordination between multiple players are introduced during the staff meetings. If an issue requires more than five or 10 minutes of discussion, then a separate meeting is called for that purpose and often a subcommittee will be formed to report to the larger group with its conclusions. We try to keep these meetings to between 60 and 90 minutes each week, though at times (for example, before critical trade shows or with product launches) meetings been known to run for several hours.

4. Hire veterans of high-speed flight

Some of the most incredibly successful large-company executives I've encountered wouldn't survive a day in a Mach-speed start-up. Whether it's the long work hours, the lack of resources, or the massively ambiguous goals, sometimes these individuals cannot transfer the management styles that worked so well at a large company, to the culture of a fast-flying, loosely organized start-up. Whenever possible we hire people who have had plenty of experience in start-ups, and we check their references to make sure that they were comfortable swimming in such waters before. The ideal candidates have had experience in both start-ups and larger companies, so that they can recognize the growth stages of a company and know when they need to trade in the agile speedboat for the slower but heavier cruiser, and eventually for the slow-turning supertanker. It is important to recognize which employees can successfully graduate from the start-up mode to the later phases of the company's growth - and to be disciplined about replacing those who can no longer grow with the company.

5. **Minimize hiring mistakes**

When a company with 10,000 employees makes a bad hire, it's barely noticed. But when a company of 10 makes a bad hire, it can be a body blow, or even be fatal. To minimize bad hires, we identify the best interviewers on the management team and make sure that we have every key candidate interview with all of them whenever possible. Some interviewers focus on the candidates' previous accomplishments, some focus on the reasons why they made certain decisions in their past, and others focus on cultural fit and team spirit. The important thing is to get multiple and varied perspectives on each individual. We've learned the hard way that even one negative vote on a candidate out of five interviewers is probably a good reason not to extend an offer. Unanimous votes are always sought if not absolutely required, because we've learned that on most of the occasions where we've circumvented this rule, we later paid dearly for doing so.

Absolutely, positively never skip doing thorough reference checks on a candidate before extending a job offer. We ask candidates for at least 10 references because anyone can come up with three people who like them, but it's harder to come up with 10. (By the way, if *you* can't come up with 10, you might as well forget about raising venture capital.) For key executive hires we'll actually reach all 10 – plus several external references that we find on our own – to get a complete picture of what they're like to work with, work under, and supervise.

LinkedIn and other social networks have made it easier than ever to check external references that the candidate did not supply (make sure that EVERY candidate fills out a job application that explicitly gives you permission to do this). If you have a professional HR person on staff, let that person do some or most of the reference checks – he or she is typically better trained for it. For key executive hires, we let board members conduct their own reference checks as well and of course interview any candidate who will report to the CEO, President or COO.

6. **Hold quarterly strategic planning sessions**

Two weeks before the end of a quarter we hold an offsite strategic-planning session to take stock of our prior quarter's successes and failures, and to re-prioritize our goals for the next one or two quarters. Annually we will do the same but look backward a year and forward one to three years. At least one board member is always invited to sit in, so that the board has an unfiltered sense of the company's direction and the talent of the management team immediately below the CEO. This also keeps the team on its toes so that the sessions stay properly focused and disciplined. This goes hand-in-hand with No.7...

7. Keep an open line of communications between board members and senior execs.

A start-up's board needs to be a hard-working board that is strongly aligned with management, or else it will cripple the company. The CEO of a Mach 3 machine needs all the help he or she can get from board members who can be objective in their perspectives, contribute strategic thinking, bring resources to bear, and be generally supportive of the key executives as they make tough decisions for the business. The CEO needs to trust the management team to responsibly interact with board members as well as with each other at this critical stage of the company's development. Otherwise information from the management team can potentially be filtered or varnished before the board receives it, and board expectations may similarly be filtered or varnished before they get heard by the executive team.

Friendly advice I would give any start-up CEO is that if he doesn't feel comfortable with the entire notion of open-channel communications between his board members and his own direct reports, then he needs to examine whether he has recruited the right board members and right executives, or whether his own insecurities are so great that he really isn't the ideal person to serve as the CEO.

As the CEO, you should feel completely at ease with the idea that any board member can ask any executive on your team absolutely anything – even about you – in the interest of monitoring the performance of the company and the team members. Have I ever been surprised to find out through a board member that something unsavory was going on inside the company that I didn't know about? Yes, this has happened on rare occasion – and when it has, I was very glad to have an extra set of eyes and ears peering in to where I couldn't, so that the situation could be resolved *before* it became a “big ugly” that would make me and others look even worse. You have to be comfortable with naked transparency or you won't be able to run effectively at Mach speeds – there is no such thing as a superhuman CEO with x-ray vision into his own organization. You need to leverage your board members to see what and where you cannot.

We even offer our board members the option of subscribing to the ExecUpdate reports, so that they can stay as tuned in to happenings at the company as they are willing to invest time. Most are unable to and so I will typically put together a summary report every couple of weeks that includes one or two key items from each executive's last two weekly reports and will send it out to the directors between board meetings. They can also always find the details on the company wiki.

8. Build customer insights into the process from Day One

At the risk of offering up a cliché, there's no substitute for talking to your own customers (or potential customers, if you're in a pre-revenue start-up) at every possible opportunity.

If you fail to do this, you may find out only too late that a competitor has surfaced that listened better to *your* customers and came up with a superior product or service. We make sure that every customer is contacted soon after signing up for our service, so that we can verify that he or she is happy with the service. It's also an opportunity for us to get positive or negative feedback and even referrals to potential new customers. You'll find that customers *absolutely love* this kind of attention! Yet many entrepreneurs fear that customers will be offended by such a follow-up call, *or will tell them something they don't want to hear*. The bottom line is, the sooner you find out that you have a problem, the sooner you can fix it, and the faster you'll be able to move on to adding more customers.

A good motto to live by is, "We will serve our customers, or somebody else will."

9. Modeling needs to be a team sport

Every business needs to have a proper spreadsheet model for budget projections and budget-to-actual comparison so that it can effectively manage its financial performance. All too often these models are built by numbers wizards in the Accounting department and don't involve the participation of every key executive responsible for keeping costs in line and revenues at or above projected levels. We affectionately term our budget model "MOASS" – the Mother of All Spread Sheets" – and it is indeed "a mother." It also needs to be torn down and rebuilt from the ground up every so often (well, at least as often as you hire new CFOs) to keep fundamentals clearly evident and to excise the minutiae that won't significantly affect the cash flows that grow like barnacles on a boat hull. Everyone on the management team needs to sign off on his portion of the model – preferably in blood -- and his MBO needs to reflect how well he performed against his own projections.

10. Standardize platforms

Nothing's more irritating than needless turbulence when trying to run a business at Mach speeds. Make sure everyone on your management team uses the same type of laptop, the same version of Microsoft Office or whatever productivity tools you use, and the same wireless devices. Not only will you get better deals from your vendors and have an easier time getting support from your IT team, but it will minimize the occurrences of incompatible files and communications hang-ups. Plus, the geeks on the team will more readily help the non-geeks figure out all the advanced features if everyone is on the same platform. You'll gain 10 knots of airspeed just by adopting this one simple measure.

A company wiki or intranet is another essential tool for standardizing where employees can find important information quickly. Whenever we develop a new process, create a new project, or just need a single place to store information that has been piecemealed

throughout the company, we create a wiki page for it. Everyone in the company has access to the wiki (execs and board members have confidential zones of their own), and its contents are easily searchable. Again, this is also a great tool for getting “newbies” on-boarded quickly so they’ll waste less of their teammates’ time figuring out where to find basic information such as the employee directory, HR policies, and the current quarter’s goals and objectives.