I DON'T KNOW WHAT I'M DOING!

How a Programmer Became a Successful Startup CEO

by David Thielen
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If you enjoyed reading this book and found it useful, I would very much appreciate your taking a few minutes to write a review on the Amazon website, or anywhere else. The success of a book like this is based on honest reviews.

I wrote this book in the hope that it will help others as they embark on the journey of becoming a CEO. And for those that are not a CEO, that it helps you understand what this very unusual job entails.

For additional information, please visit my blog ceobook.substack.com. I appreciate comments there as well as in the Amazon reviews.

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INTRODUCTION: Sex guides by virgins

> *"Everyone who has taken a hot shower has had an idea. It's the person who gets out of the shower, dries off and does something about it that makes a difference." —Nolan Bushnell, CEO/founder Atari*

> *"As an entrepreneur you have to feel like you can jump out of an airplane because you're confident that you'll catch a bird flying by. It's an act of stupidity, and most entrepreneurs go splat because the bird doesn't come by, but a few times it does." —Reed Hastings, CEO/founder Netflix*

> *"It took ten years to become an overnight success" —just about every successful startup founder.*

End of an era, start of a book

On a sunny Tuesday afternoon in early 2021, the phone rang in my office at Windward Studios, the software startup I had founded with my wife, Shirley, in 2004. It was Louisa from PDFTron, a company focused on other parts of the document processing market. She said they wanted to buy my company—but that alone wasn't extraordinary. For the previous three to four years I had gotten two or three emails or calls a week asking about buying Windward. These ran the gamut from the lame ("I'm looking for a company to buy and manage") to the serious ("We're an investment bank-funded entity amalgamating companies") to everything in between.

One thing I'd learned was that saying "no" just invited a lot of discussion trying to turn it into a "yes." But naming a price put the burden back on the person asking to decide if my company was worth that price. So I would reply “At X dollars I’ll consider it and at Y dollars I’ll say yes.” [1] That tactic chased away most potential suitors, which made me happy because I was not looking to sell. I was very happy running and growing Windward (at least most days). But selling would be gigantic for the employees and those ex-employees who had stock options. And someday I would have to retire from the CEO position. So I did have to consider good offers.

And then one day I received that call from PDFTron!

Words can’t describe my euphoria as I hung up the phone. It wasn’t just the amount of money that was hard to get my mind around. It was the validation the offer provided—that Windward truly was a very valuable company. That all my efforts and dreams had paid off. Those meant more to me than the money.

After a couple of breaths I called Shirley, who couldn’t believe it either. All those years of pain and anguish and worries and risks had paid off.

On the other hand, in that moment ... I really didn't want to sell. You’ll get more details in the conclusion of this book, but the point now is that Windward had been my life for the previous 15 years. It was my outlet for creativity and productivity, and the source of a lot of my self-worth. In short, being a startup CEO was the best job I ever had.

I don’t have that job anymore, but by writing this book I hope to capture what made it great.

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[1] My agreement with PDFTron precludes my stating the specific amounts.

Why am I writing this book?

I've never found a truly great book out there for startup founders and CEOs. Ben Horowitz's *The Hard Thing About Hard Things* and Brad Feld's *Do More Faster* came close, but even they were missing many topics I believe are important. Many other books, written by non-CEOs about how to be a successful CEO, weren't even close to good. They were like sex instruction guides written by virgins. They may get a couple of things right, but they fundamentally have no idea what they're talking about.

Being a good manager is an important part of being a successful CEO, but it's just a part, and not that central. So books on managing in general are not that useful. This book is focused on the key parts of being a successful *startup* CEO. It touches on general management in places, but it's also much more and much different than a management book.

Any CEO will get it wrong. A lot. You'll make big mistakes that put the future of the company on the line. If you get it right even half the time, you're doing awesome. This is very different from every other executive role, where it's a reasonable expectation to be hitting your goals regularly. Being CEO is unique.

So think of this book as a sympathetic source of hard-earned wisdom, from a fellow CEO who managed to get it right about half the time—like most successful CEOs, even those who would never admit to a batting average that low.

What we'll cover

Using Windward as the primary example, this book will cover what you should and should not do as CEO. Not every little detail, but the big things, the important things, and some fun things. Some of this advice will help you avoid the mistakes I made. Other parts will help you figure out how best to find your own way forward.

Of course your business, whatever it is, is different from mine. And you are different from me, probably in 1000 ways. But I believe the fundamentals are the same in any industry. Most everything that was key to my success will be key to your success. The quirks will be different, but the fundamentals will hold.

Part I is STARTING THE JOURNEY. Do you have an idea that can become a full-time business? Do you have something special enough that people will say “I’ve gotta have that and I’m happy to pay for it”? To a certain degree starting a company is a leap of faith. But you want to have at least a reasonable chance of success before taking that leap.

If you’re going to create a company, you have to build its foundation on goals, vision, and strategy—in that order. They are critical not only because you need to know where you’re going if you want to get there, but because you need to give your employees a clear destination. How can they be willing to give their all if they don’t understand the company’s goals, vision, and strategy?

And then there’s the final part of any company’s framework: its culture. Culture is the hardest because it cannot be imposed or mandated. It truly comes from all the early-stage employees, some more than others. It’s on you to try to build and shape the kind of culture you want, and to take advantage of whatever elements of culture that come organically from others that are worth keeping and nurturing.

Once you get up and running, Part II is GROWING THE ENTERPRISE. This is broken out into specific chapters for hiring, finance, product development (admittedly my favorite), marketing, and sales.

Who you hire is one of your most important decisions, and you should be heavily involved in that process for every single hire, at least until your company grows past 30 people. I'll show you how.

For other areas of management, I'll cover how you should oversee the various departments that are being run by your executives. You need to constantly watch how they are doing, where they are going, and what they are focused on. Depending on your expertise, you may get more involved with some departments than others. Because of my background in software development, I met with Windward's product managers once a week to discuss our products. If your expertise is sales, you might do the same with your salespeople. But these should be low-level meetings where no decisions are made, just an open discussion.

Part III is MANAGING THE BEAST. Think of the company as an organic system, not a machine. Beyond directly managing your executive team, you must manage the entity that is the company.

Organic means that instead of someone blindly implementing the tasks assigned to them, they do so following the principles of the core values and with an understanding of how the tasks help achieve both their department OKRs[2] and the company strategy. Your guidance is to help everyone work in this manner so that everything is advancing in harmony together.

The first step is getting everyone aligned with the company's goals, culture, strategy, and specific targets. If you need to tell everyone what to do day by day, **you will fail.** You need to have people charged up to achieve the goals you have set.

[2] Look up Objectives and Key Results.

Next is developing your people. It's directly on you to develop your executive team. It's also on you to make sure your executive team puts a high priority on developing their own teams. This can be hard because there are immediate goals that must be achieved and taking time to develop people can slow everything down. But in the long term, boy does it pay off.

Then comes delegating and trusting your employees. When done right, delegation leads to a significant increase not only in what gets done, but how amazing the work will be. It's a major force multiplier. It requires a lot of work to establish consistent delegation, but also to guide people, track them, and when necessary, fire them.

It's a cliché, but 100 percent true, that whatever gets measured gets managed. However, when using metrics to drive accountability, there is a danger that having too much data can often hide problems more than having too little data. It can be easy for people to cherry-pick the data to make themselves look better, which is especially common with marketing data. There's a lot of challenge to getting this right, so you'll have a truly clear, high-level picture of how each department is doing.

The next chapter in Part III is about firing. It's an incredibly hard thing to do and it is often made even worse by dragging out the decision or dragging out the actual termination. A lot of otherwise very good managers are reluctant to fire people. Hell, I don't like doing it either. But doing it quickly when necessary is key to having a healthy company.

Finally, Part IV is SURVIVING THE PRESSURE. First comes your own mental health, because you can't help anyone else if you can't take care of yourself. Startup CEO is one of the most high-pressure jobs in the world. Worse, no one else at the company can truly understand your situation, so you are very much alone in facing the stress. On top of all that, you must appear calm and collected to everyone in the company, 100% of the time. Gee, no pressure!

You also need to work on your own personal development. You're going to suck as a CEO when you start your company. If you do a lot of work toward developing your skills, then five years later you'll suck a lot less. But there's no graduation, no end point when you can stop trying to get better as a CEO. All you can do is improve little by little, month over month, year over year.

And finally comes recovering from what I call WFIO (We're Fucked, It's Over) moments. Every startup has had several of these. The successful ones find a way through and recover from the face-plants. You'll make some absolutely beautiful, gigantic mistakes. This chapter is about getting back up to fix them and move forward.

And hopefully this book will help you through all of this to be in that all-too-rare group: a successful CEO.

Your development will take time

It would be lovely if you could be taught all this and then boom—you are a superstar CEO on a rocket to success. Sorry, but no. Even if I could travel back in time to 2004 and give myself this book, I'd still make a significant number of mistakes. A lot fewer, but far from zero. A lot of being a CEO you will simply have to experience to learn. It takes time to become comfortable with your instincts and gut decisions. It requires making enough mistakes and surviving them to be comfortable with that aspect of startup life.

Even more important, it takes not following your gut, but deferring to the expertise of others—and then watching their expertise lead to a disaster—to truly learn to trust your own judgment.

It's great to listen to your cofounders, your executive team, your board, your employees, and this book for advice. But ultimately, you're going to have to learn a lot of this stuff by getting punched in the face, shaking it off, and doing better next time. Not even the world's best book could prevent that.

Why should you listen to me?

So who am I? Well, I'm super lucky that I have a wonderful wife, Shirley (whom I roped into helping me create and grow Windward), and three amazing daughters. (Of course as the only male in the family I never know what's going on.)

I grew up in Hawaii, back when it was very much a mix of Polynesian, Asian, and Western culture. I received degrees in physics and mathematics from the University of Colorado, where my initial programming was done with punch cards (yes, I'm old). It was a big deal there when we got terminals and no longer had to hand our punch cards over and wait five to twenty minutes to get the output.

After my first job at Martin Marietta Aerospace, I switched to writing software, mostly for a series of startups. In the course of those jobs I've written desktop applications, operating systems, games, client server, web apps, JavaScript apps, compilers, and more. I worked for three and a half years at Microsoft on the Windows team. And I rose to CTO at several startups, some that succeeded and some that failed. The one I am the proudest of is Enemy Nations, as I designed that game as well as doing a lot of programming for it.

Because I went from startups to big companies (Microsoft, etc.) and back to startups, I saw how to succeed and how to fail from multiple perspectives in multiple roles. That was hugely valuable: I eventually confirmed that I get a lot more joy working at a startup than a large company. There are advantages to both, but for me nothing comes close to the satisfaction of making a giant difference at a startup.

Dave, we have a problem

20 years ago I was diagnosed with cancer. (Fortunately, I'm cured now.) The way they cure cancer is by severely injuring all the cells in your body. The cancerous ones die, and the healthy ones survive, but they are beat up like crazy. It's a brutal treatment with a long and very slow recovery process.

For many months during that recovery, I didn't have enough energy to hold a job. It was a victory when I could simply walk one full circuit around our cul-de-sac. Every day I got just a little bit stronger. Eventually I could work maybe two hours a day, but who would hire a programmer to work just two hours a day?

While I was going stir-crazy, I had a software idea that became the initial version of Windward (detailed in Chapter 1). Not with any great plans to build a company and sell lots of copies, but just to get me back in the habit of programming. I wanted to get past my pain and exhaustion and recapture the joy of programming.

My only partner at that point was my dog Lucky, a wonderful Golden Retriever. I would talk through all the software architecture and major design decisions with him. His feedback helped a lot![3]

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[3] See rubber ducky debugging.

When my program, Windward, was done, I almost made it open source. But I had an online store I had created earlier for the game Enemy Nations. And there was a new search engine called Google where I could buy ads, many for $0.05 - $0.10, but some up to the outrageously expensive cost of $0.42 per click[4]. So I put Windward up for sale on my site, and within a month had sold several copies to customers like a mid-sized bank in Japan and a state agency in Virginia. Maybe I had something real here?

I was now healthy enough to work full-time again, so I sent my résumé around and got a job at a startup. Windward became a nights-and-weekends hobby. This included one time we were flying to Florida with a stop on the way. I exchanged emails with a prospect on my Sidekick (an early pre-smartphone) at Denver, a stop at Dallas, and landing in Miami. By the time we exited the plane I'd closed the sale.

I was at that startup for a couple of years when I concluded it was not going to make it. (Sure enough, it closed down about nine months later). So one night I turned to my wife and said I needed to start looking for another job. She turned to me and said that Windward seemed to be going well, so why not see if I could make a go of it?[5]

At this point Windward was bringing in between $2,000 and $6,000 each month—not nearly enough to cover our expenses, let alone cover a salary for additional employees. But it was worth a shot, so I took a deep breath and jumped. (See chapter 1 for details.)

Windward is very unusual in that it never received any outside funding or venture

[4] Those were the days!

[5] Shirley still denies that this was her idea, **but it definitely was.** For years after, every time we hit a WFIO moment, we each would then insist it was the other who proposed we do this full-time.

capital. Since I wrote the initial program for free, it was profitable from day one—just very small at first.

Growing pains

For the first five years I was both CEO and CTO. Then the board told me that the company had now grown to a size where I could not handle both jobs, and we needed someone else to be CEO. I was in shock as I was not expecting this. And it was a rude discovery to learn that even though I held the vast majority of the stock, I could be demoted. But I listened. We chose Shirley to be the new CEO since she had been handling the financial end of things already, and the board trusted her.[6] So for the next five and a half years I reported to my wife.

Then one evening she turned to me and said that although she had successfully grown the company for four and a half years, for the most recent year she had felt stuck. So she threw the CEO job back at me, and for the next six years I was both CEO and CTO again.

But at many startups, formal titles don't tell the whole story. For most of our time at Windward, Shirley and I were a team running it together. It's just that when she was CEO, she got to make the final decision, and when I was CEO, I did. Our skills and strengths complement each other very well. We trust each other completely. And so my first piece of advice to you as a CEO is to marry someone who complements your skills

[6] Shirley thinks another key reason the board wanted her as CEO is that she's the one person who can control me.

and strengths, and if possible, bring them in as a cofounder.[7]

With that said, this book is written by me. If it was written by Shirley, it would be a very different book. In that spirit, here's a funny story.

About four months into Shirley's tenure as CEO, she came home one night and asked to talk to me as her husband, not her coworker. I said okay. She then told me she was having a giant problem with one of her employees who wouldn't accept her decisions at times and continued to push back. I thought of making a wiseass reply: *"Tell me who it is and I'll talk to them."* But I wanted to stay married, so instead I said, *"Sorry, sweetie, I'll shut up."* And I mostly did from then on.

Anyways, from that point forward we grew organically year-by-year. The only exceptions were during the Great Recession (when we had to do one round of minor layoffs of people we should have let go anyway) and during the year that we switched to a new subscription license model. Even that difficult switch only resulted in a modest drop in revenue.

Learning from my mistakes

Throughout this book I'll not only cover what you should do, but also how and why I did the opposite of what I should have done. In those cases I'll show what went wrong, the consequences, how we recovered, what we learned, and how you can avoid that mistake.[8]

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[7] Granted, you marry someone for other reasons. But find a partner—that relationship, if you find the right person, is as key as finding the right person to marry. I was very, very lucky in this.

[8] Instead you should make your own unique mistakes!

I hope seeing the many ways I made big mistakes, yet still led Windward through to a very lucrative acquisition, will give you faith that you can do the same. And by “the same” I mean you will make mistakes, lots of them, gigantic ones. That’s to be expected. All successful CEOs do this (we just rarely admit it).

Big mistakes don’t mean you’re an inept CEO. It’s only *not fixing them* and *not learning from them* that makes you an inept CEO. A lot of being CEO is simply learning how to fix problems that you yourself created. (Of course some of Windward’s mistakes were caused by other employees, in which cases I’ll obfuscate names and identifying details to protect the guilty, other than myself.)

Why should you read this book?

This book is focused on what I think will most help you as a CEO. Not everything in here may be useful to you, given the unique situation of your company, your people, your industry, and so on. But the things that really matter tend to be universal.

Your view as the CEO is very different from the view of everyone else in the company. Things that as a manager or employee you might ignore or play down will haunt a CEO day and night. Being a CEO means accepting that you might get half of your decisions wrong, but at least that’s a much better batting average than a Hall of Fame baseball player. I encourage you to enjoy your successes and not get too discouraged by your inevitable fuck-ups.

Being a CEO is nothing like what it looks like in the movies, much to my daughters’ disappointment. It’s mostly about trying lots of things, failing at many of them, and hopefully surrounding yourself with great people to keep the ship afloat.

Am I a brilliant CEO? I don’t think so. I’ve got a list of mistakes a mile long. But at the end of the day we (Shirley, all the Windward employees) accomplished something very rare—we grew an enterprise software company to great success. And like Ginger Rogers[9], we did it with no funding.

So is this a book with *"follow these 12 guidelines and you'll be super successful?"* Nope. And any book that tells you that is ~~lying~~ marketing itself strongly. This book will give you what I think are the most important issues you should address. And if you do, it should improve your odds of success.

Finally, to the Windward employees, thank you for the efforts you put in. We would not have made it without you. And you are the ones that suffered the most from the mistakes I made as we all learned what worked and what we should do, and what we should not attempt.

I can't promise you equal success if you follow my advice, but I believe this book can at least increase your odds of succeeding at the most important challenges you will face. I wish you the very best of luck as we begin this journey together.

And off we go…

[9] She did everything Fred Astaire did— backwards.

PART I: STARTING THE JOURNEY

Chapter 1—Taking the leap: Can your idea really be a full-time business?

> *"Projections are just bullshit. They're just guesses." —Jason Fried, CEO of 37 Signals*

> *"The way to get started is to quit talking and start doing." —Walt Disney*

> *"There's an entrepreneur right now, scared to death, making excuses, saying, 'It's not the right time just yet.' There's no such thing as a good time…. Get out of your garage and go take a chance and start your business." —Kevin Plank, CEO of Under Armor*

> *"In preparing for battle I have always found that plans are useless, but planning is indispensable." —Dwight D. Eisenhower*

Of all the decisions you will make in starting a company, the biggest by far is "Should I really try to make it work full time?" Everything else is built on the decision to take the leap and try. What makes this question so bloody hard is that there's no set of objective guidelines or criteria that you can rely on. It's half analysis, half gut instinct.

For some entrepreneurs, going for it is an easy choice. Larry Page and Sergey Brin figured out a potentially much better way to design an Internet search engine. They tried to sell it to every company then offering search—the supposed experts—but they were turned down across the board.[10] So they started Google to prove that their idea

[10] Excite turned down a chance to buy Google for $1 million.

would work. You can find many other stories of big incumbents failing to recognize true innovation, such as Blockbuster declining to buy an early version of Netflix for a pittance. When the incumbent “experts” can’t recognize true innovation right under their noses, of course innovators have to try to prove them wrong. You can find similar stories in industry after industry.

But much more often, the decision to go for it is a lot trickier.

My original idea for Windward

Several decades ago, at a startup where I was CTO, I was talking to the CFO about some reports he needed to pull from the system we were coding. I asked him to just mock-up the kind of report he wanted in Word or Excel, with fake numbers. He did so and emailed it to me. I looked at those documents and the question hit me: why can’t I just tag the fake data and turn it into my report template? And so an idea was born—a potentially useful idea that no one else had apparently come up with.

That idea stayed in the back of my mind while I continued to work at that company, which died during the dot-com crash. It stayed with me at my next job, where the same need reinforced my sense of how useful such a product could be. I started tinkering in my spare time, without bothering to check what other products in the same space did or didn’t offer. I just built in the functionality that I would want if I were buying this software for my own use. I also wanted it to be as open-ended as possible for future improvements. The result was that I sweated blood on some features by removing any limits on them.[11] And that meant that my initial version, Windward 1.0, could do some things that competing products still couldn't do 20 years later.[12]

Just as there is power in learning from the competing products in a market, there is also great power in taking a completely fresh look at a problem. And a fresh look means you do not have a deep understanding of the competitors in the market. With that said, over time I did learn what competitors did so that I could ~~steal~~ be influenced by their best features.[13]

Windward immediately appealed to people because it could be used for document generation as well as reporting—it is the only product that does both well. The user designs their template in any Microsoft Office software—Word, Excel, or PowerPoint. In that template they place tags that will later be replaced with data. Windward then takes the template, merges in the selected data using the tags, and creates an output document in the desired format. The unique advantage was that the business users still got to apply all the formatting and layout power of Office, a tool that 99% of them already knew very well. So Windward was powerful, easy to use, and had a minimal learning curve.[14]

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[11] The biggie being the forEach loop could start/end anywhere.

[12] For those using Windward, this initial version required an RTF template, XML data, was Java only, and no Office Add-In designer—very basic. It didn't even support ${parameters}.

[13] A common saying in Hollywood is "good artists borrow, great artists steal."

[14] Those tags are added using an AddIn we created so that is seamlessly a part of Office. They had wizards to help with everything making crafting complex data queries a series of drag & drop or point & click, with the immediate results immediately displayed. So business users who had no idea what SQL or XPath was were creating sophisticated queries to use the data they desired.

Should I or shouldn't I?

Here are some questions I worked through when deciding to make Windward a full-time commitment, plus some I should have asked but didn't know at the time:

- Would you use the product yourself?
- Would you be willing to pay for it? How much?
- Would the company you are or were working at happily purchase it?
- How about your friends at other companies in the same industry—would they want it too?

These questions are critically important, especially the first two. If you don't believe in your idea—really and truly believe in it deep in your soul—then don't do it. Because you will need that belief to carry you through the hard times.

Equally important, does your spouse or significant other support you? They may not believe in it as much as you do. In fact, they may not truly understand it. But do they support your need to take a wild leap into financial uncertainty? Will they support you while doing something that will suck up every minute of your time? Without that kind of advance commitment, you will most likely end up facing a terrible choice between your company and your relationship.

If you clear those first few hurdles, here are some more questions to help you evaluate your idea:

- What is the potential market size?
- What price point can you sell it for?
- What size company will you need as you grow?
- How long will it take for your operating costs to be covered by projected sales

revenue?

- What do you need to do to create version 1.0 and start selling it?
- Will you need outside funding until you can get to profitability? If so, how much do you estimate needing?
- How will you define success in your first three months of operations? The first six months? The first year?

These questions are just a start—you can and should add more of your own. Plan out the different scenarios that might unfold, from optimistic to pessimistic. How reasonable is your projected road to success? Can you tell the difference between practical planning versus wishful thinking?

If not—don't do it. But hopefully what you come up with is good and shows a road to success.

With all that said, many of these questions you won't be able to answer. They may be unanswerable. They may require so much effort it's not worth it. Don't get stuck in analysis paralysis. Think these questions through, answer them as best you can, and then decide.

This all comes back to Ike's famous quote that the plans tend to be useless, but the process of planning is invaluable. On D-Day nothing went exactly according to plan, but because of months of careful planning, the troops were able to adjust and move forward successfully. As your startup idea moves forward and inevitably drifts away from the original plan, hopefully your planning will show you how to adjust to a different road to success.

And keep in mind that when you start, the question is not what your valuation will be in three years—it's whether you will even be around in three years. Your true initial goal is to just get to sustainability. Fame and fortune can wait, maybe forever.

Ruthless go/no go points

The second biggest decision you will face is, “Should I keep going or shut it down?” And you will face that question several times. The biggest failure is to not try a startup idea that would have been successful. But the second-biggest failure is to continue to throw good time and money after bad because you refuse to give up on an idea that fundamentally isn’t on track to succeed.

During your initial planning and evaluation phase, you need to set some clear decision points with clear criteria for continuing or throwing in the towel. For example, you might say that at three months you need to have a product for sale, or a store open. At six months you need to have at least ten corporate customers, and at least eight of them need to be satisfied enough to recommend you to others.

Whatever benchmarks you choose to keep going (maybe it’s selling at least 150 sandwiches per day at your sandwich shop), you have to hit them, or at least get close enough to justify changing them. For instance, if you have only nine corporate customers and only six of them will recommend you, but another two say they need more time before deciding—that’s probably close enough. But if you only have four customers and none will likely ever recommend you, it’s probably time to fold your tent.

You need to set these checkpoints up in advance with very specific dates and criteria. Because once you’re up and running, it will be harder to think objectively about your progress. In the heat of the moment you may be thinking everything is awful when it actually might be quite good, or you think everything is wonderful when it actually might be failing.

When you hit the dates that you set for evaluating key metrics, it requires a thoughtful and dispassionate look by you, your executive team, and your board. Ultimately you are the key vote—do you still believe in the idea and the size of the market for the idea?

<u>Let’s Go!</u>

Okay, let’s assume you’re set to make the jump. How big a jump should it be at first? You don’t have to start with $3 million in funding and a team of ten people.

When I started Windward it was a nights-and-weekends side hustle that brought in $2,000 to $6,000 per month. That was a low-risk way to earn some extra money, though not enough to cover our living expenses. It also allowed me to test the market for the product. On the flip side, the company was never going to grow substantially if I kept treating it like a side hustle. If you can test your own idea by working nights and weekends for a while, I recommend it. Everything I’ve been saying still holds: make a plan and set go/no go criteria. In every way possible, treat the startup as if you had already quit your day job, with equal seriousness.

The real leap will come when you really do quit your day job and try to make the startup your full-time pursuit. It may be just you at first, or you may already have a core group of a few cofounders. You might be open for business within a week or need 18 months of development before you can release a product. Regardless, you’re now all in, and a new set of questions come into play. What should be added next, and how quickly? Do you need to add several fast and easy improvements, or buckle down for six months to work on a major improvement? I suggest starting with some quick wins if possible. While some large improvements are worth spending a long time on, there’s always the risk that you'll focus for six months on something major and have it met with a collective yawn. That's a giant opportunity cost.

The next big question is how will you find your earliest customers? And what will you do to make them happy? The answer to that one should be "almost anything." You want to get constant feedback from them and on each suggestion, do the Five Whys[15] to get the root need. You need these people both for their recommending the product and their feedback on how to improve it.

How many customers go in the "early customers" bucket? Well for an expensive B2B product like Windward, it's as few as ten. If you're a coffee shop it's 50, maybe 100. It's however many you can comfortably devote a lot of time to. And generally it's all you can get if you are aiming for 10 and 1,000 people buy it in the first week, well, skip this step and run with the success.

The recommending part is bigger than you think. The direct recommendations people give are important. But way more important is that the following customers will also be recommending the product to their peers—or not. If the first ten won't recommend, then the next 100 won't either. But if the first 10 do sing your praises, then the next 100, 1,000, 10,000 will do so too. Use their feedback to make your product recommendable.

As to the "do almost anything," we listened both in terms of service and licensing as well as product features. Our license agreement went through several revisions based on discussions with the first 30 or so prospects as we found ways to make it

[15] Look up "Ask Why Five Times."

more equitable and reassuring. We improved our tech support system based on complaints where we came up short. And for product improvements, any that we agreed with that did not take too much time, we did them next.

But this holds for any business. If you're a restaurant and half your first customers ask for Fat Tire beer, then add Fat Tire beer to your menu. If you are setting up a law practice and prospective clients consistently object to a clause in your work agreement, find a way to revise that clause.

This is your new first loyalty

It's important to realize, at this early stage, that as a startup founder your first loyalty must be to the company, not your own needs, wishes, or ego. For example, both Shirley and I accepted a demotion from CEO when that was in the best interests of the company. You hopefully won't face that particular situation, but you need to be prepared to do something personally unappealing, if necessary, to help the company.

At first glance, this sounds like a really bad prioritization. The company is an inanimate thing. It doesn't know you, doesn't care about you, and is just a legal entity. Why would you give such an object primacy? Because the company is actually much more than a legal entity. It's the employees who come in every day and devote a large part of their time to making the company successful. It's the customers who have trusted the company and now depend on it. It's your customer's customers (if you're a B2B business) who are depending on your customer delivering something valuable thanks to your company.

That's why the company is likely to become the focal point of your world, with first dibs on your time and attention. If you give it anything less, you will be doing a major disservice to everyone dependent upon the company. On the other hand, if you give it too much time and attention, your spouse and children will bear the downside of that focus. Be aware of this potential impact and try to steer towards a happy medium if possible.[16]

Funded or bootstrapped?

We'll go deeper on this subject later in the book, but you will first face it as soon as you take the leap. Do you want to try to grow via bootstrapping or by pitching for outside capital, such as from a venture capital firm or angel investor?

For many business ideas you will have no choice but to seek funding, because the initial development work is expensive before you even have a product. In this case, go raise money.

But if you can possibly bootstrap, at least at first, I urge you to try. Bootstrapping will give you two major advantages and two major disadvantages. Advantage number one: you could very well spend 6 to 18 months working to raise sufficient funds. If you bootstrap, you'll spend that time building the company, selling your product, and putting revenue in the bank, without any distractions from pitching VCs.

The second major advantage is that your fundamental goals will be what you want them to be, not anyone else's. If you take outside capital your investors will push you to do whatever it takes to maximize your profit. But a bootstrapped startup can

[16] When Shirley and I went out to dinner, our discussion was either the company or our daughters 99% of the time. Once we sold the company and our daughters graduated from college, we really struggled with what to talk about. Fortunately, politics became a shitshow, and so we now have that.

select its own goals, as we did at Windward. Profitability will, of course, be one of those goals, but not necessarily the only one. Being able to put a high premium on doing well by our employees and customers was very satisfying to me. Depending on what you want, this could be a gigantic benefit for you too.

On the other hand, the first big disadvantage to bootstrapping is that there will be no one with the authority to ride your ass if you do something stupid or become lazy. Venture capitalists and other investors are very protective of their money and will drive you to do your best and focus on success every day. Some founders really need that kind of external supervision and accountability. If you don't need it[17], good for you.

The second big disadvantage to bootstrapping is that if and when money gets tight, you may quickly run out of options to solve problems. I remember the awful desperation Shirley and I felt several times, whenever we thought Windward might not have the funds to make it through a bad period. This happened most recently when COVID hit in 2020, and incoming leads totally stopped for two weeks. Thankfully, they then started coming back, stronger than ever. But when a similar cash crisis happens to you, you might not be as lucky.

If I had accepted investment capital for Windward early on, the company value might have been four times greater when we sold it, but I probably would have given up half the equity to investors. With those offsetting effects, my payoff on acquisition would have been double. In all honesty, I wouldn't prefer that outcome. The ability to chart our own path and set our own goals more than made up for those three incidents of

[17] Don't kid yourself, we all need this at times.

financial panic, as well as the other challenges of bootstrapping. I loved being my own boss for 17 years, without having to answer to investors, and the payoff Shirley and I did get was enough to fund our retirements and donate to our favorite charities.

You might come to the opposite conclusion because your goals and desires are different from mine. Do what's best for you.

Should You?

As to whether you should make the leap and start your own company—yes. Life's too short; do what makes you happy.

Chapter 2—Vision, goals, and strategy: Where are we going?

"If you don't know where you are going, you'll end up someplace else."

—Yogi Berra

“A goal without a plan is just a wish.” —Antoine de Saint-Exupéry

"There is nothing so useless as doing efficiently that which should not be done at all. "—Peter Drucker

Why vision, goals, and strategy really, really matter

You need to define the big picture of what your business is trying to create on an ongoing basis. Your vision should include a lot more than the product; it should include your hopes for where the company, its employees, and its customers might be in five to ten years. And you need to be able to explain this vision clearly to your employees, in a way that they fully understand, buy into, and act on.

Done right, your vision should drive all decisions made by everyone in the company, from what to focus on day-to-day to determining how you will define and measure success. Equally important, it will help determine what not to do, because there are always ten times as many options as you have time and resources for.

People often get confused about the terms *vision, goals, and strategy.*

The *vision* is the fundamental idea/concept that the company is chasing. It normally will not change, because it’s more a statement of who you are, not a list of bullet points to achieve over a certain period.

Goals are your desired endpoint. In the high-tech world it tends to be to own the market your product(s) are in. Often it’s to be the best in your market or to be the dominant player. It’s very much a desired result, not a lot of steps along the way. Theoretically the goal(s) should rarely change, but if you’re like us, they will evolve as you figure out how best to describe them. Note that our actual goals didn’t change, we just got better at figuring out what they truly were and how best to describe them.

The *strategy* is your plan to achieve the goals that will bring you closer to your vision. As such, it should be revised and updated regularly—at least yearly, if not quarterly.

If you don’t put enough time and thought into your vision, goals, and strategy, you can easily end up stumbling around with no idea where are you going. You may accomplish lots of things day by day and month by month. But at the end of the year, what did it all add up to? What was the point? You’ll probably have a random collection of results that add up to a mess.

These things need to be determined starting on day one, even if the whole company on day one is just you, working nights and weekends. Even that early on, you still need to know where you’re going. Skipping this step is malpractice. So think carefully about your vision, goals, and strategy on day one, write them down, and review them at least quarterly—or more often at first, while your learning curve is steepest.

As you add more people to your team, bring them into the vision, goals, and strategy immediately, so they can guide their daily work. It’s critical that you not just explain these concepts, but also sell them, so employees follow them. If you don’t, your new hires will start rowing the boat in the wrong direction.

Does culture really eat strategy for breakfast?

Who first came up with the line "Culture eats strategy for breakfast"? I don't know, but it's bizarrely popular with tech CEOs, management consultants, and others who should know better. It's a personal pet peeve because it's utter bullshit. Strategy and culture are equally essential. And trying to give relative importance to one over the other makes no sense.

Imagine Company X, with a culture of brilliant people who work cooperatively, but with no clear strategy, competing against Company Y, with a strategy for creating outstanding products but a less cohesive culture. Company X might end up with some brilliantly written code, but no idea how to turn it into a cohesive and commercially viable product. On the flip side, the staff at Company Y might take ten times as long to create the same basic product, because they don't collaborate well. And while it would match the strategy, it would be a blah implementation. There would have been none of the pizzazz that comes from brilliant people seeing a better way to do each part.

Obviously, you want both a strong culture and a smart strategy, but your strategy should come first, starting on day one. Your culture will develop over time, and in the early days it will develop from the initial employees, as they figure out how to work best with each other to achieve the strategy.

How this played out at Windward

At Windward our vision was:

1. Create cool products that are significantly better (and different) than the alternatives.
2. Be a great place to work for self-motivated, talented people.

3. Do well by our customers.

Our goal was to be the dominant docgen[18] solution. And very specifically, we stated that two things led to setting that goal. First was the ultimate measurement is that we were successful at creating the best product, marketing it as the best, and successfully selling it.

Second, to grow and succeed we had to be profitable, as we ran on cash flow. Being the top dog in this market would deliver that desired cash flow.

The vision was there from the start, but defining the goal took longer. It evolved over time, sometimes as a detailed list, sometimes as several bullet points, as we debated internally, sometimes getting deep into the weeds. But when we landed on the final wording for the goal, it felt right to everyone as beautiful simplicity.

Then came the strategy. Early on it was easy: keep improving and adding to our main product to build out its feature sets. We would come up with ideas internally when we used the product ourselves. We would get ideas from talking to customers. And customers would suggest ideas.

The first big strategic decision was to create a "designer" feature as an AddIn to Microsoft Office. The impetus for this came from our first sales rep, who was frustrated that designing a template was still too hard. Competing products, while fundamentally more complicated, had an IDE[19] to make writing data queries easy.

So working with our rep and talking to a couple of customers I respected, we

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[18] DOCument GENeration

[19] Integrated Development Environment: A template designer, unique to each competing product, that was as complex as Microsoft Word and Access combined. They have a steep learning curve.

came up with the basics of what we needed the product to do. We then created a basic version of the new tool as quickly as possible. It was simple compared to what it would eventually grow into, but it made a gigantic difference to users. And a gigantic help for our reps as they tried to close B2B sales by doing demonstrations.

The second big idea was to add a .NET version of our engine[20], along with the early version that only worked with Java. This came about when we were at the JavaOne trade show and right next to us was the Microsoft booth, showing off their J# compiler[21]. The Microsoft product manager at the booth sold me on how easy it would be to use J# over the course of the show.

The beauty of J# is it compiled Java source to create a .NET library. This was gigantic because we didn't have to write and then update the entire code base. We just had to run two compilers against that code base to create two libraries. Over time about 5% of the code was specific to each library, but the other 95% was the same.[22]

But then we floundered some, because we started making changes without first putting in the effort to connect every move to our strategy. We would turn our focus to marketing strategy for a while, then back to product strategy, and so on. By failing to grasp that various pieces were supposed to connect to one overall strategy, we hurt our progress significantly.

But as Shirley and I read and studied, talked with our advisory board, and went to

[20] Programs pass their template and data to our "engine," and it then returns the generated document.

[21] A Microsoft tool that takes Java source code and generates a .NET program. .NET is the generated program language of C# and VB.NET.

[22] For those of you that aren't programmers, this meant that we could write code once and deliver it twice, to both the Java and .NET programming worlds.

conferences, we came to learn what building a strategy truly meant. We then started to pull together a corporate strategy that considered all the facets of the company. The advantage of making that change was gigantic. All our efforts became more focused toward achieving our targets. The projects we implemented got into sync. And we began to waste less and less effort on tasks of minor impact.

In sum, Windward did great on vision from the start. We did okay on goals for our first few years, by making our annual goals too complicated then too vague, until we finally got the hang of setting smart goals. And we struggled on strategy a lot over the years, but over time we got better and better at it. I do wish we had put in more effort from the start to master strategy, because it was so valuable once we really got the hang of it.

Fair warning: determining strategy can be intensely emotional. At the end of each quarterly strategy meeting, even when the outcome was productive and positive, the toll of emphatically discussing all the issues was immense. Usually I would then go to Ted's Montana Grill (my favorite) near our office, get a beer[23], and try desperately to not cry. It was an intense emotional release when it was over.

What kind of company are you?

I think the biggest question facing every startup is "What kind of company are you?" Part of that is your culture and values (which we'll focus on in the next chapter), but the more fundamental part is tied to vision and strategy. For instance, IBM is

[23] OK, it was two beers.

fundamentally a sales-driven company, while Microsoft is a developer-driven company. Even early on, a startup's core identity can become clearly visible.

The authors of Gallup's book *First, Break All the Rules* make a counterintuitive point about individual strengths that I've found to be equally true for companies. Everyone sucks at some things and is great at others, and we have a natural inclination to try to fix our weaknesses. But it's more valuable to accept which skills you suck at and focus your effort on becoming even better at the skills you already excel at. If you can become world-class at a few skills you can maximize the value you deliver as well as what people will pay you for that value.

The same holds true for a company. You might think that developing a well-rounded executive team will make your startup best of breed across every dimension. But I know of only one example where that theory worked[24]. Great startups usually dominate along just one dimension[25], whether it's product development, sales, marketing, or something else. For instance, you might use a product advantage to gain a monopoly, then defend that monopoly position for as long as possible.

Figure out whatever you're truly great at and make that your big focus. Just be competent at the rest.

Developing a strategy is easier said than done

The most common advice you'll hear about strategy is "think outside the box," but that's meaningless pablum. Where do you look for ideas worth considering?

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[24] Apple Computer is superb at product, marketing, and sales.
[25] SalesForce, for example, is awesome at sales, decent at marketing, and mediocre at product.

The easy first step is to talk to your board and your executive team. It would be wonderful if they were a fount of brilliant suggestions and all you had to do was select the best bets. Ah fantasy, how sweet it is.

The problem with the board is they drop in once a quarter and usually only respond to the information you give them. I had super-smart people with a wide breadth of experience on my board. But they didn't know our market well, and it wasn't their job to become immersed in it. So they were dependent on what we brought them.

As for the executive team, their job is implementing the strategy, so their focus is inward on the company and outward on our customers. They have to be doing that, because otherwise the company will fail. But it also means that they will rarely have the opportunity to come up with new strategic ideas. And the few they do propose tend to be evolutionary, not revolutionary.[26]

Early on I had company-wide meetings for strategy suggestions. I did this twice before I had a sizeable executive team, and it was very productive[27]—not just for the advice that emerged at those meetings, but because some of our software developers felt inspired to come back to me at other times with more ideas. In hindsight we should have continued holding these strategy meetings every six months.

You will occasionally get a great idea from your customers. They will have lots of suggestions for small improvements, but only rarely a really significant and strategic

[26] Jim and Margarita were wonderful exceptions to this, both helping us craft a better strategy.

[27] Thank you En-jay and Marcus especially. Both are programmers who provided several good suggestions on strategy. En-jay was, I think, the first to propose we forget reporting, B.I., etc., and focus solely on docgen.

suggestion.[28] On the other hand, customers and prospects will often have suggestions for big new ideas that turn out to be really bad. So you should always listen to customer suggestions with an open mind, but then subject them to a highly skeptical evaluation process.

Another thing I did was talk to anyone and everyone who might have a good idea. That included inviting outside experts to lunch if they were in the area. At conferences I would talk to everyone I met. I did calls with customers who reached out with wild suggestions. I would read at least one book a week. And out of all that I would get some interesting ideas—oftentimes not the idea presented to me, but another idea that grew out of the seed of the original suggestion.

When you analyze strategic ideas, you must ruthlessly ignore sunk costs. Emotionally that can be very hard to do, but it’s essential to stop throwing good money after bad. As an example, we started developing a web editor[29] due to growing demand for one from our customers and prospects. But after investing about two years of work and $1.5 million, we were spread too thin on the development side and the demand for a web editor had disappeared. So I had to shut it down. That hurt, but in hindsight it was the right decision.

For each strategic idea under consideration, *start with why*, as Simon Sinek suggests in his book by that title. Ask why five times, to dive deeply into what you will get from this idea. These repeated rounds of answering *why* will help you figure out just

[28] Thank you Hit (my favorite System Integrator customer), who, among other things, helped us a lot to define what we should be as a docgen-centric company.

[29] Covered in detail in chapter 16.

how useful and valuable each idea is.

But in the end, after all the analysis, you always have to go with your gut. Listen to others; try to think through why your gut is pointing you a specific way, but after all that, trust your gut. You'll be wrong at times, but probably right much more often. And the ideas that strike your gut as right are more likely to fit with your overall vision.

And it's bloody hard to find the right strategy. In hindsight, offering our system on Salesforce would have been gigantic if done ten years earlier—but we used Salesforce and yet it never occurred to us[30].

Implementing your strategy

One key to implementation is to test many ideas and then drop those that fail. If you have no failures, you are being way too careful. Take pride in failing and then trying something else. Just don't get emotionally attached to any one idea, because you might have to let it go and move on.

For example, for over nine months matta[31] pushed for adding a feature called "generate code" to our designer. He laid out what it would do and why prospects would find it helpful. I turned it down because it would only be of use when a company first started using Windward, and only to the programmers at the customer's company rather than ordinary users. After that initial phase, it would add no further value.

And then … after we presented our most recent evolution of our strategy, where

[30] Covered in detail in chapter 16.
[31] A brilliant developer on our team who had a good eye for strategy: Matt A.

we specifically listed ISVs[32] as our #1 target, matta pointed out that the “generate code” feature would be a very powerful tool selling our product to ISVs. Because the initial evaluation and the purchase decision was driven by the programmers at the ISV, and this proposed new feature would get them up and running faster. This was a compelling argument, so we added the feature. And going forward, our sales engineers said it was a gigantic help.

That’s the power of vision, goals, and strategy. Thinking it through, presenting it to the company, getting the employees to understand it, and then working from it as we evaluate ideas and proposals.

Create a system to review your existing strategy and determine what your strategy should be going forward. Make appropriate bets on what to do and where to go next. Look for an appropriate level of risk—not too careful but also not too foolish.

And perhaps most important, look for opportunities that leverage your existing strengths in a new direction. You can become twice as good at the things your company is already good at, but you’ll be lucky to get 10% better at the things your company currently sucks at. Wouldn’t you rather pursue a 100% improvement over a 10% improvement?

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[32] Independent System Vendor: A company that creates a software product and their product incorporates Windward as part of their product. The best type of customer because when they close a sale, we get a sale.

Chapter 3—Values and culture: What do we believe in?

> *"Culture guides discretionary behavior and it picks up where the employee handbook leaves off. Culture tells us how to respond to an unprecedented service request. It tells us whether to risk telling our bosses about our new ideas, and whether to surface or hide problems. Employees make hundreds of decisions on their own every day, and culture is our guide. Culture tells us what to do when the CEO isn't in the room, which is of course most of the time" —Frances Frei and Anne Morris*

> *"A company's culture is the foundation for future innovation. An entrepreneur's job is to build the foundation." —Brian Chesky, CEO of Airbnb*

> *"To me, business isn't about wearing suits or pleasing stockholders. It's about being true to yourself, your ideas and focusing on the essentials." —Sir Richard Branson*

Values and culture determine the essence of your company. A strong culture that all employees try to live up to is an incredible force multiplier. But it's not easy to create or maintain, as you'll see in this chapter.

Doing your damndest

One morning Logan came into my office to tattle on his boss Ryan. Ryan managed the customer support department and Logan was one of the senior support engineers.

On the day in question, Ryan had gone to the emergency room due to great abdominal pain, of unknown origin. (He came through fine.) While waiting in agony to see an ER doctor, Ryan was still picking up support tickets on his phone and solving customer problems.

Thinking this was crazy, Logan asked me if he could disable Ryan's access to the support system, which I approved. Then I followed up with an email to Ryan, saying that he should focus on getting better, and if he kept working his stomach problem was nothing compared to what I was going to do to him.

What force is so powerful that it makes someone dedicated enough to keep working while in serious pain in an ER? Two words: values and culture.

Windward's core values

When Shirley was CEO, she made us figure out and write down our core values. I initially thought it was a waste of time, but wow, was I wrong. This exercise was incredibly powerful, even though it took a lot of work.

Your core values are not what you want them to be, but what the company *already is*. That's not always obvious and can require a lot of introspection.

Here's where we landed with Windward's core values:

- Team of "A" Players
    - Live our core values
    - Meets/exceeds expectations
- Do our damndest to delight the customer
    - From product to sales to support
- Get it Done
    - Reliable
    - Driven & focused
    - Take ownership
- How we communicate matters
    - Focus on what's right, not who's right
    - Listen 1st, think 2nd, speak 3rd

    - Forthright & respectful
    - GTTFP[33]
- Do what's right
    - Stand behind our commitments
    - Actions speak loudest
- Innovate
    - Embrace initiative
    - Challenge assumptions & offer alternatives

<u>Sense of urgency</u>

"Team of 'A' Players" was an easy one. We had explicitly strived for that from the start. But "Do our damndest to delight the customer" took a lot of thought to get to. We realized somewhat quickly that doing a good job in customer support was worth striving for. But it took some discussion to realize it was more than that. The people we had working in support really and truly cared about our customers and wanted them to be happy. They created the value that we would make their satisfaction a high priority.

This is an example of where core values define who you are. *Damndest* and *delight* are clearly not the right adjectives for most companies. But they were right for Windward.[34] It fit us and worked well for us.

GTTFP came from me as a core value, and I'm pretty sure many of our employees would have been quite happy to skip it. But because we made it a core value, everyone got to be very good at it. Again, some objected to the swear word in GTTFP, but I used it intentionally to suggest that politeness was NOT a core value. Again, you may disagree, and your startup might ban the F-word and play up

[33] Get to the fucking point

[34] Thank you to Ryan, Malcolm, Valerie, Logan, Erik, and David, who made this a core value and ensured that it stayed one.

politeness. But I felt there would be power in being clear while getting the job done, and I wanted everyone to know that if swearing was part of being clear, no problem[35]. If hearing blunt language was upsetting to you, maybe Windward was not the ideal place for you. In practice, however, swearing was rare at Windward, although I literally used "*beeping"* a lot in my presentations to the company.

Your core values

Your core values come in part from your initial employees, how they work, and how they interact with others. Some of them are your own explicit values that you set and practice as a role model. Others are things that become common practice unintentionally as people work together.

For example, we did not originally have "get it done" as one of our core values. But then we hired an employee who was not dependable. Everyone misses deadlines sometimes, but this person put in almost no effort on tasks and hoped no one would notice. We never even got a heads up if something was going to be late.

As Patrick[36] and I discussed whether this person was a poor enough performer to justify firing, we discussed our expectations about dependability. And we realized that we really did have high expectations on this issue and valued it highly—it had just never come up before because everyone else at the company clearly met our expectations. So we added "Get it done" to the core values—to signal that it was important, and that people would be judged on how well they aligned with that value. And we fired the

[35] Being blunt should not be an excuse to be cruel or be an asshole.
[36] This individual's manager.

underperformer.

What can you do if you want something to be a core value, but it isn't commonly practiced (yet)? First off, do not add it unilaterally. If you have anything listed that is not actually being practiced as a core value, you've just made the whole list aspirational instead of descriptive. Core values need to be "This is what we do" rather than "This is what we eventually hope to do." It's incredibly hard to add a new value in practice, but it has to come first in practice.

When Windward had grown to about 30 people, we worked hard to make "rock-solid code" a core value, in contrast to our then-current practice of "make the code good enough and get it out the door ASAP." Over several years we made our code a lot more solid. But we still needed more years of gradual improvement to be able to say that rock-solid code was truly a core value.

Retaining your values over time

Entropy applies to core values the same way it applies to thermodynamics. You've got to work constantly to reinforce them. Constantly!

First, you must lead by example. What you do, what you focus on, and how you treat your colleagues will have more impact than anything else. If you don't follow the core values in your personal conduct, you can't reasonably expect anyone else to do so. You don't have to be perfect, but you need to do as well as possible, and be clear that you are trying. And when you screw up on a core value, apologize quickly and sincerely.

What you do, what you focus on, how you act: that has more impact than anything else.

Second, you need to talk to the employees about the core values, over and over. Our new hires were given a copy of Windward's core values, printed on heavy card stock. That physical impression conveyed how important we considered them. Then in their first two days on the job, they would get a half-hour session with me to discuss the core values, especially how powerful they were as part of our competitive advantage. This meeting included a chance to ask any questions if the core values were unclear.

I would refer to them regularly in most of my weekly company videos and the monthly all-hands meeting. And in each monthly one-on-one meeting that each employee had with their manager, they were asked to self-evaluate on how well they were following the core values. Our intent was not to beat people up, but to provide an opportunity for them to discuss how they saw the values working in practice.

Fundamentally, your core values are defined by the deviations you tolerate. No one, including you, can get it all perfect all the time. You will have to decide how far and how often someone can stray from the core values without crossing the line into unacceptable underperformance. In extreme cases, you will have to fire some people for going too far over that line. You'll have no choice, because any behavior that's tolerated will be replicated, regardless of whatever values you list on a piece of card stock.

Additional values beyond the core values

In a sense, the culture and values of a company are infinite. If you really tried to put everything on a list, it would be at least ten pages long and no one would remember any of it. But there are some important cultural details that are worth establishing and enforcing. We made a FAQ for new employees that listed these less-core but still important guidelines, which was a couple of pages long. It included things like:

- No phones or laptops in meetings (yes, we were successful at that).
- Whenever possible, send an email instead of interrupting someone.
- The company bought lunch for everyone once a week and had it delivered. This encouraged people to eat together and talk socially.
- We went out for beers every Friday at 4:00 p.m. at the local brewpub—if sales made quota the previous month. (This was incredibly popular and had the entire company focused on making quota.)
- Windward is a 40-45 hour-a-week job, not more. (I worked 80 -hour weeks, so this was one of the few cases of *do as I say, not as I do*. But I think that's okay if you're telling people to work less than you. It would be horrible if you expected others to work more than you.)

We also included guidelines around gender, race, sexual identity, political leanings, and other aspects of treating everyone equally and fairly. These might lead to some tense situations, but you must be clear about what you will and won't tolerate.

Windward is based in Boulder, Colorado, a city so liberal that San Francisco seems conservative by comparison. One time a conservative employee sent around a group email with a minor political comment. A liberal employee replied with a ferocious, personal rebuttal. Usually, leaders should correct people in private, but in this case I spoke to the liberal employee where others could overhear. I said that trashing someone politically was not acceptable, and he should apologize to the conservative employee. Everyone took that pretty well, and there were no serious issues around politics after that. A few of the conservative employees were even comfortable teasing me about supporting Democrats, and in response I'd get them birthday cards with

Obama on the cover wishing them a Happy Birthday.

The woman who was my admin for a while was lesbian and usually for the company meeting, she would put sci-fi pictures on the slides. But one month she was on vacation for the meeting, so she put the slides together ahead of time and when we brought them up, it was all unicorns and rainbows. We all lost it laughing and it was our most “fabulous” monthly meeting.

I think the trick is not to pretend group differences and tensions don’t exist. It’s to acknowledge them and include them in the culture and conversation when appropriate. By treating them as just part of who we are but irrelevant to job performance, you can minimize any negative impact.

Unwritten expectations

Remember Logan from earlier in the chapter? One day he mistakenly wiped our source code repository.[37] He went to Ryan and said that he assumed he was fired. Ryan replied that of course he wasn’t fired, but he had to go fix it and make sure it could never happen again.

Ryan knew what to do here because we had an unwritten expectation that wasn’t on our list of official core values. At Windward we rewarded success, but we understood that mistakes would happen sometimes. We would never punish mistakes, because we knew that ambitious goals would inevitably lead to the occasional larger mistake.

I would also constantly repeat to people, “I don’t care if you make me happy, I

[37] This is the company’s copy of the code compiled to create the program—the company crown jewels.

care that I appreciate you." This is incredibly hard to get people to take to heart, because there is naturally a gigantic desire to make the CEO happy. Delivering bad news generally makes the recipient unhappy.[38]

I would repeat that ad nauseum. More importantly, when someone talked to me about something that clearly did not make me happy, I would tell them that I really appreciated them and that that was the important thing. This would reinforce in the moment that delivering bad news was a good thing.

And keep in mind that an important part of all this effort around core values is that you need to instill hope and optimism in everyone. That's not a core value per se, but it is a cultural thing. Is everyone charged up, thrilled, and seeing success as they work? That's gigantic.

Live the values

Remember when I said that the slogan "Culture eats strategy for breakfast" is trite and undervalues strategy? I must admit that it does contain an element of truth. Great companies excel at both strategy and culture, and they complement each other. As employees take on and live the core values while doing their jobs, the values provide clear guidance for most of the big questions they will face. And the values will give them security in knowing that their decisions will be consistent with both the culture and the strategy.

As an example, when we decided to set up a profit-sharing plan, Margarita[39]

[38] Personally, suck-ups annoy me, so the "don't make me happy" counted double for me.
[39] VP of Finance & Operations

suggested it should be equal for each employee, as opposed to prorated to each individual salary. Within about two seconds, everyone on the executive team agreed. Because an equal split felt like it matched our core values. Did we have an explicit core value for this? No. But the values we do have guide other decisions.

On the other hand, beware of any employee who uses the core values as a shield for poor work or bad decisions—the individual who uses them as an excuse for doing a lousy job. The core values are not a shield; they are a guide.

Without exception, in every situation where an employee did not embrace our core values, I should have fired them sooner. At best, they were good employees who still required those working with them to make up for their shortcomings. At worst, they were pure poison. While no one will exemplify your culture perfectly, when someone doesn't exemplify it at all, or is generally dismissive of the very idea of cultural values, you must fire them—no matter how good they are at the job. If you don't, then the cultural values are optional.

When you do fire those who don't match the core values, you'll usually hear from other employees who are so glad that you got rid of that person. They will all share stories that, while perhaps not valid reasons to fire someone for underperformance, were clear signs of a bad teammate. You'll generally have support from the other employees if you remove someone who was mismatched with the company's values.

In other words, the more clearly you establish and enforce your values, the more your employees will embrace them, because they make their day-to-day jobs more fulfilling.

PART II: GROWING THE ENTERPRISE

Chapter 4—Hiring: Selecting who's on the team

> *"I noticed that the dynamic range between what an average person could accomplish and what the best person could accomplish was 50 or 100 to 1. Given that, you're well advised to go after the cream of the cream. A small team of A+ players can run circles around a giant team of B and C players." —Steve Jobs*

> *"Talent is the No. 1 priority for a CEO. You think it's about vision and strategy, but you have to get the right people first." —Andrea Jung, CEO of Grameen America*

Windward vs. Google

A lot of our interns[40] would get summer internships at the big tech companies. Even though I always wished they would work every summer at Windward, I was very supportive when they applied. It was best for them to get that experience and see what life would be like at a tech giant.

One of them went to Google and was given an assignment. He completed it and asked what he should do next. They gave him some more work and he also completed it quickly. When he asked again for more, his manager said he'd need time to figure something out. They hadn't expected him to blow through a projected two months of

[40] C.S. students, primarily at the University of Colorado.

work by the end of his first week.

As he said to a friend, “Google wasn’t prepared for a Windward-trained intern.”

When I heard this story, I had two immediate thoughts. First, our dev team rocked and any company, even Google, would be lucky to get their hands on one of our alumni. Second, it really is true that hiring is one of the most important decisions you will ever make as a startup founder.

This chapter will explore the mysteries of setting job requirements, finding great people, determining if they’re a good fit, convincing them to come on board, and setting them up for success.

Your most important decision(s)

Strategy and culture are both essential, as we’ve discussed, but neither are possible if you can’t hire and retain great people. And hiring is by far the hardest of these three components, simply because people are challenging. Even the best employees will have you tearing your hair out sometimes. Applicants don’t come with a rating tattooed on their forehead. And even when you do find the perfect person, you’ve got to convince them to come work at your company.

My biggest worry, most days at Windward, was people. Finding the ones we needed was a constant grind, because we were almost constantly growing head count for 15+ years. Keeping the people we already had happy, focused, and motivated was another huge challenge. So was guiding the ones who needed improvement and, in the bad cases, letting them go.

Some founders have a fantasy that being a CEO mostly means thinking big thoughts, making bets on strategic direction, participating in high-level product and marketing meetings, and maybe doing high-level sales presentations to huge clients. But the reality is that you'll spend more time on your employees—hiring new ones and managing the existing ones—than everything else put together.

That's stressful because other people's lives and livelihoods are at stake. Whenever you hire someone, you are making an implied promise that this will be a good job. And you're making an implied promise to their coworkers that this person will be a positive addition to the team. Even if you aren't the hiring manager, as CEO you retain that responsibility.

As Windward got bigger, I would often be brought in near the end of the screening and interviewing process. But to my final day, I never stopped being one of the interviewers, because I considered hiring too important to withdraw from completely.

The most damaging thing you will do at your company is hire the wrong person. Always keep in mind that it's better to not hire than to hire the wrong person. As Brad Feld[41] says, it's better to have a hole than a drain[42]. No matter how careful or experienced you are, you will get hiring decisions wrong, multiple times. But there are some key guidelines that can help you improve your track record.

'A' players

My middle daughter, with that helpful intenseness that only middle school girls can pull off, once came up to me and said, "Dad, you're really good at getting very smart people to work hard. Think of what you could accomplish if you do the same with

[41] Creator of TechStars
[42] i.e., better no employee than a bad employee

average people."

I replied, "Tanya-bear[43], I don't want to work with average people. It's miserable."

I think this was our most impactful core value. If you have really good people, it removes a lot of management overhead. You get better decisions not only from the top, but from every level of the company. Most decisions are made by employees in the moment, by themselves. They feel empowered and supercharged.

Did Windward hire *only* A players? Ha ha ha ha ha ha! No! Not even close. But we tried—oh boy, did we try. And we were successful a lot of the time. Especially in product development and finance.[44] Somewhat in marketing. But in sales, we failed much more than we succeeded.

This varying level of success by department comes back to my strengths and weaknesses as CEO and Windward's strengths and weaknesses as a company. Your weaknesses will impact your ability to hire A players.

Your goal should be to hire people who are smarter and more talented than you. And tell all your department heads and the executive team to do the same: strive to hire people smarter and more talented than them. That's the only way to raise the average level of talent. Any company where the CEO insists on being the smartest person is going to be in a lot of trouble.

But this logical policy is hard to implement because most managers are at least somewhat intimidated by people more talented than them. Even though hiring below their talent level will reduce the success of their team, most leaders want people who

[43] It's a dad requirement that I embarrass her here by pointing out I called her Tanya-bear.
[44] Tech support was in finance (long story), and they also rocked.

won't challenge them or threaten their egos. But how are you going to bring in A-level people if your executive team desperately, if subconsciously, wants to recruit B-level people?

Meanwhile, very talented people want to work with other very talented people. It's only fun in the movies to be the superhero who carries everyone else. In real life, it sucks to have to do most of the work and not be able to depend on others.

But once you build up a core of talented people, additional hiring becomes easier (or more accurately, less incredibly hard) because you can offer talented people the opportunity to work with those they would view as peers.

Keep in mind that "A player" does not mean the most talented or knowledgeable employee on the planet. It means the person is extremely good at their job relative to the number of years they've been doing it. An A-level programmer with ten years' experience should blow away an A-level programmer who's still an intern. But they're both A level, both in the top 5%, based on their experience, and both are worth fighting to hire and retain.

And finally, here's a little secret about what happens when you set a goal of hiring only A players: You will end up with some B players. And that's fine. A few of them won't wreck your company. But if you set out to hire both A and B players, you will end up with some C players—who absolutely can wreck your company.

Besides, as Shirley used to point out, for some jobs you actually do want a B player. A job that an A player can do in their sleep with no serious effort will drive an A player to quit and go work elsewhere while a B player will be happy with that job.

The executive team

You'll probably say you want an executive team that is experienced, knowledgeable, has a track record of success, yadda yadda yadda. That all sounds great, but let me give you the three true must-haves. I've seen a 100% correlation with these characteristics and the quality of a VP, EVP, or department head. Their absence should serve as a big red flag.

First: they look to hire people who are brilliant at their job. They not only are not intimidated by people better at the work than them, but they also want super talented people because that means their team will accomplish more. And I've never had an exec who was sort-of okay on this issue. They either desperately want the outstanding applicants, or they always have a reason not to hire the good ones.

Guess which VP is going to build up a world-class department?

Second, great department heads fully support your culture and strategy. For instance, if an exec thinks "do your damndest" is stupid or wrong as a core value, that attitude will come across to their team loud and clear, and soon the whole team might start ignoring it. While an individual contributor can think client/server or cloud is a mistake, the exec team must be on board with both. (Put that individual contributor on the product that they think does make sense.)

One mistake I made was when several VPs convinced me to change "Do your damndest to delight the customer" because both thought the "damn" was unprofessional and "delight" was meaningless. I changed it at their behest. I shouldn't have. When they left, I reverted back—because "damn" and "delight" are both very loaded emotional words that do describe what Windward is and what I wanted it to continue to be.

Of course, not everybody is going to agree with every detail of the corporate culture or values. And it's appropriate for your executive team to push back on some of those details. For instance, our director of marketing[45] convinced the exec team to remove two items from our original list of cultural values and to add the expectation of dependability. But while that pushback can be happening in private, good execs will continue to reinforce the culture as it currently stands, day by day. They won't undermine you to the rest of the staff.

Same for the strategy: there should be very robust disagreement working out what it should be. There should be ongoing review of it as the year unfolds. That's part of an exec's job. But once decided, then it has to get done.

Third, they must be comfortable disagreeing with you regularly about strategic questions and other key issues. I'm not right all the time, and (I hate to break it to you) neither are you. The more total ideas you have, the more bad ideas you will have. It's on your exec team to speak up when they disagree—and then it's on you to listen to their objectives with an open mind. There should be an ongoing strategic review and discussion as each year unfolds.

Every executive I ever had who never (or almost never) disagreed with me was worthless. On the other hand, the ones who disagreed *all the time* were often equally worthless, because that constant disagreement either covered up incompetence or meant we had a very different view of where the company should go and how it should get there.

Either way, they're someone you must replace because they're fighting you all

[45] Thank you, Patrick.

the time. You want executives who aren't afraid to push back when they feel strongly about an issue, but at the end of the day, respect the decision you make.

All Together Now

One time in our monthly company meeting, Shirley and I had a big argument over a strategic decision in front of the entire staff. That was horrible in the impact it had on everyone. When the two founders, who are also married, have a disagreement—how is it resolved? And what does it say about us that we're arguing it out in front of everyone?

We went at it for a couple of minutes before Margarita stepped in and got us to stop (thank God!). This was one of my bigger mistakes as CEO. I should have tabled the issue until we could have a private discussion with the core executive team.

Even better, we (the exec team) should have discussed this as an exec team beforehand and determined what we were going to do based on this, and what we were going to say. Not just in what we said, but what we did. As I said, I failed in handling this, on several levels.

You may face the same kind of situation if you have executive team members who disagree with your culture or strategy and try to change something unilaterally, rather than in a private discussion with you. If they start working to change things behind your back, you will face political battles and everyone in the company will be worse off. People will be spending time on those internal battles instead of getting real work done. And some will become demotivated, because the conflict hampers positive changes, problems fester, and overall effectiveness declines.

This is another reason why, especially on your executive team, you should hire people who will push back thoughtfully but then, once a decision is made, will do their best to support and implement the company's strategic direction. And if they can't, then you say goodbye.[46]

Contractors

We had several people working long-term for Windward as contractors rather than employees, because they lived outside the U.S. The last thing we needed was figuring out how to deal with the legal and tax implications of having employees in six other countries around the world. But it felt wrong to me to make them submit hourly time sheets and not cover their vacations or holidays with paid time off. It made them seem like second-class citizens.

So against the advice of Shirley, I told our contractors that they would get the same benefits as full time employees, including pay for 40 hours a week without time sheets, flexible PTO, paid holidays, and so on. Instead of this approach cutting into our bottom line, it actually boosted it. Our remote contractors started working well into the night, and sometimes on weekends, to hit key deadlines. They became more engaged and committed, contributing more to our product discussions, and finding other ways to share their enthusiasm. In return for relatively little extra overhead expense, Windward got huge, invaluable boost in commitment, creativity, and team spirit.

[46] A specific example of this being a big problem and how it was handled is in Chapter 9.

Interns

Since it's almost impossible to consistently hire A-level people, here's the Windward secret.[47] We hired lots of interns, mostly from the nearby University of Colorado. And unlike Google, Facebook, and other tech giants, we were happy to hire freshmen and sophomores as well as upperclassmen.

We found plenty of young programmers who had seemingly come out of their mother's womb with a keyboard in their hands, even if they didn't have formal experience. We didn't care about their résumés; we just asked applicants to walk us through some code they had written and then hit them with questions about why they had made certain decisions in the programming. And whenever a new crop of interns came on board, we treated them like full-time members of the technical staff. We assigned them serious programming tasks to work on, and they loved the responsibility.

We took the same approach with our marketing interns, who also thrived by being given real tasks. As the word spread around campus over time, Windward got a reputation as an excellent place to be an intern, if you were awesome. So our pools of talented applicants for future internships got stronger and stronger. And they brought a level of energy, enthusiasm, and new ideas that made us a more vibrant company. During the summers, when we had lots of interns full-time, it made the company a much more exciting and alive place.

Interns also have no idea what's impossible. So when you ask them to attempt something tricky or unconventional, they just go for it. They don't complain or tell you

[47] I'm only sharing it because I no longer have to hire people.

why something can’t be done. In both product development and marketing, we would sometimes have interns finish a project in a week that might have taken an experienced person a month. That was amazing and very satisfying to watch, as was mentoring these young people and seeing them develop—I love that.

Best of all, it was easy to see which interns deserved an offer of a full-time job when they reached senior year. If they were a keeper, we would make a full-time offer. And about half of those interns would accept our offer. We knew them and they knew us, making the process much less uncertain on both sides.

It took time to get this system fully in place, but it became a pipeline to deliver superb programmers and the occasional product manager and marketing manager. It’s not much of a stretch to say that Windward was built on its interns.

Hire for diversity and cultural fit

The big misunderstanding people have about cultural fit is that it means hiring people who remind you of yourself. Absolutely not! Cultural fit means that a new hire will be comfortable with the core values of the company. In your interviews you need to be measuring whether they will exemplify those values. But at the same time, beware of hiring people just because they have the same demographics, background, or experiences as you. For instance, you do *not* want ten programmers who are all programmer-bros from Stanford. There is great value and advantage in hiring for a broad range of backgrounds.

We all discriminate to some extent, like it or not, because it’s so pervasive in our culture. The trick is to constantly watch yourself for signs of bias, and do your best to eliminate bias in yourself and in your expectations of how your employees approach each other. And you have to acknowledge it when you see it — pretending it doesn't exist does not solve the problem.

Bias can show up not just in hiring, but also in decisions about pay, responsibilities, expectations, promotions, and so on. You need to measure your outcomes to develop some objective metrics of inadvertent or subconscious bias.

With that said, especially early on, a small company will never match the demographic averages of the local population. If just two hires can totally change your diversity numbers, your metrics will be all over the place. And that's okay early on, as long as you focus on what really matters when interviewing every candidate.

We tried, and did okay, I think. We did our best to focus on what mattered in interviewing every candidate, and the results were pleasantly surprising. At one time I was the only white male on the exec team. Shirley, when she was CEO, was one of the few female CEOs of a software company.

With that said, at Windward like any startup there will be inequities, but they were due to choices among possibilities, not due to discrimination. I think. Because does anyone really know how they reached a decision?

The interview process

First off, read Lazlo Bock's book *Work Rules*. I'm not going to repeat what it covers except to say, follow it. A key point in his book is that most of the ways that companies conduct interviews are worthless. The book also dives into what does work. With that, I'll add a couple of other things we did.

During the interview, I've learned that the first answer you get to a question is the honest answer, or at least the closest you're going to get to an honest answer. If a marketing manager applicant tells you that the only thing that matters is content and you reply that you think Google ads are, if anything, more important, guess what—they'll then agree with you. They may agree with every intention of focusing on both. But in the day to day, week to week, month to month, guess what they'll do—content.

My worst violation of this was interviewing a candidate to manage sales. The others liked them, and I laid out what I didn't like in their approach to several things. I was talked into a second interview where I laid out my concerns and they told me they could absolutely work that way. And I think they meant that sincerely. But I hired them and guess what—they reverted to what they were comfortable with. They were a failure.

Always take the first answer as the accurate one.

Another very useful question was asking them to walk you through one of their bigger mistakes: what happened, why it happened, and what they did to clean it up. Beware the applicant who gives you an example that was someone else's fault—they're not owning that they make mistakes. And beware the applicant who left it to others to clean up their mess.

Next was a tactic that Lisa[48], our first VP of marketing and for a while also sales, called my "scare the shit out of them" interview. I would tell the candidate that this would be the hardest job they ever had. I'd describe it as a never-ending list of projects, with expectations for brilliance, working with amazing people who would hold them to the highest possible standards. Then I would ask the interviewee if they were up for it.

Some would get visibly charged up at this challenge. When I saw that reaction, I

[48] She was a big part of our early success.

knew this person would be a great performer and a great fit for our culture. Others looked visibly nervous, if not horrified. Some seemingly had no reaction. We tried not to make offers to the latter two groups, because when we did, they tended to turn us down.

And some of those candidates would decline the job. A few never answered us. The rest accepted. The thing is, the ones who turned us down because of that would not have been a good fit. So the tactic accomplished its goal.

The third tactic I used was explaining to the candidate that if we offer them a job, and they take it, and it doesn't work out—it sucks for them, but it also sucks for us. So out of pure self-interest of not wanting to hire if it won't work out—I will answer any question they ask that I can legally and ethically answer. Anything.

First off, this is useful to help them evaluate if they think they'll fit in. But even more valuable was that we would look at the questions they would ask. Some would only ask about mundane things like what are the work hours, making it clear that they viewed this job as just a job. Others asked questions that signaled genuine curiosity and enthusiasm about what they would be doing and how they could achieve success. And some went even deeper, with questions like "What was your biggest failure?" I loved that one.

Perhaps the best question I ever got—from a candidate who combined brains, curiosity, great preparation, and no sense of fear—was "Why did Enemy Nations[49] fail?"

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[49] Short Windward history: long before the docgen product, Windward first existed as a game company. The game we produced was Enemy Nations.

Make sure the first day is a great day

On my first day at Microsoft, it took me two hours just to find my office and my boss. It took me three days to get my computer successfully connected to the network. And many people have even worse stories.

At Windward we went the extra mile on day one. New hires would show up to find that their desk and computer were totally set up and ready to go. There would also be a gift bag, a balloon, a Nerf gun, and a schedule for their first week that included all the training and orientation they would need. This included a half hour with me where I walked them through the importance of culture and answered any questions.

Each new hire was also assigned and introduced to a peer mentor. The purpose of this role was explicitly so the new hire would have a place to ask questions that might be too awkward or intimidating to ask their manager. The peer mentor would also explain the details of how things worked at the company, big and small alike.

Don’t underestimate the power of making people feel welcomed and needed starting on day one. Those positive memories will linger.

Stock options: how wide should you go?

Initially we gave stock options only to our executives and technical staff, which is standard for software startups. Then Margarita brought up in an executive meeting that this disparity violated the Windward ethos of treating everyone equally. So we expanded stock options to everyone.

What’s fascinating about this is that very few of the employees who suddenly got an option grant understood the potential value of this benefit. I even had two executives tell me that they thought I should stop discussing the options in company meetings, because all it would do was confuse people.[50] I guess I really failed at conveying the potential upside if the company did well. But even if few people understood, it was important to me to share the company's upside potential with the people who made it possible.

Years later, when we announced the sale of Windward, one of our smartest programmers said, "I know you explained the options before, but can you tell us again now that we're all paying attention?" I decided to advance all option grants one year, to increase the payout to all employees. And our contractors would get bonuses that matched what they would have received if we had been allowed to include them in the employee options program.

Since we never had outside investors, Windward's entire purchase price went to employees and board members. For many people it was a life-changing sum: enough to pay off school loans and mortgages, or finally buy the home or car they'd been dreaming about.[51]

You can get the hang of this stuff

Over the years we got better and better at hiring and retaining A-level people. We learned how to interview for both ability and cultural fit. We learned how to manage our teams to reinforce the company's core values and focus on our strategic goals.

I also eventually built an executive team that was a dream. Margarita (CFO & VP Operations) and Jim (VP Development) were both A+ standouts. Oh, to have had these

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[50] I think they were among the confused.
[51] I bought a Tesla—that's a requirement for the CEO when acquired.

two from the start. And Bob (VP Marketing) and Donny (VP Sales) were great helping me figure out that we needed to change the company's focus, which unfortunately meant they were included in the layoff[52] that followed.

When we had to do layoffs due to changing our focus,[53] the upside was that we held onto a group of people who were 100% on board with our core values and focused on the strategic direction of the company. This smaller team delivered more value than the larger team had before the layoffs.

I'm especially proud that in the last couple of years, only one person left for another job, and he was recruited away for a ridiculous amount of money. That was a sign that our employees, while working their asses off and being very productive and successful, were clearly happy.

Fundamentally, it all came down to getting really good at who we hired and what it would take to keep them.

[52] Sometimes doing the right thing for the company really, really sucks.
[53] Details in chapter 16.

Chapter 5—Finance: Bootstrapping vs. seeking capital

This chapter focuses on two key financial concepts for the financially innumerate. First, how to keep an eye on your company's finances to make sure you don't go broke. And second, how to understand the trade-offs of bootstrapping versus raising investment capital, so you can make the right decision for your situation.

Financial picture for dummies

Some CEOs understand the finance side of their companies inside and out. One of my advisory board members has a financial background and has been very successful by mastering the numbers at his own company. That's how he decides exactly what can be done, and what must be done.

That's great for him, but I'm pretty much the exact opposite. One of my degrees is in mathematics so yes, I can follow the numbers and understand how they add up. But I've had zero experience in using an income statement or balance sheet. As to using cash flow, my experience is pretty much asking: Do we have enough cash to get us through the slow parts of the year?

The choice I faced was to either devote a fair amount of time to learning how to use these tools (which would then leave less time for other parts of my job as CEO), or else to have others working at Windward who knew the financial details well, whom I could trust, and whom I could work with to make good financial decisions. I chose door # 2.

More so than any other position, if you are going to depend on others to understand the financials of the company, the people you hire must be excellent and trustworthy. Weak performers elsewhere will hurt the company, but weak performers on the finance side will *kill* the company. Windward was blessed with three heads of finance, each very good for the size of the company during their tenure.

I got a monthly hybrid cash flow statement from our CFO. “Hybrid” meant that everything except sales reflected what we received and paid out that month. But income was what was booked that month and therefore would be coming in as cash within 30 to 90 days. It was very rare that any booked sale was not paid. So our hybrid model was a best effort to show the previous month in action.

I preferred it to a true cash flow (listing sales as we received payment) because it gave me a better picture of the month just ended, not the situation over the previous several months, when the sales we made back then were being paid. At a bootstrapped company like Windward, cash coming in was as crucial as oxygen. I needed to be as up to date as possible on the sales we were closing now.

In addition, the report included a listing of all past due accounts, broken down by month(s) past due. Often the only categories with anyone in them were 0 to 30 and 30 to 60. (We always had a couple of customers that tended to pay 90+ days late, but they would pay up quickly whenever they had a support query that needed to be answered immediately.)

This report also included a narrative statement about each department, showing how its expenses (and in the case of the sales department, revenue) that month varied from the budget. Somewhat regularly, the sales department numbers were significantly over budget—because when sales exceed quota, commission payments exceeded what was budgeted. But that’s a budget difference you want!

Bottom line: figure out what information you need to understand the financial state of the company. And make sure you are getting that information, even if you can’t personally crunch the numbers.

Can we afford additional head count?

The big financial question for Windward was always when we could afford to hire additional employees. This not only required an estimate of sales growth into the future, but when those sales would come in during the year, expected existing customer maintenance payments, when those payments would come in, etc.

First would be a discussion with the executive team about what positions we should fill next, and the projected payoff we would receive from filling those positions. An important part of this discussion was how much the company would benefit, and how quickly, from filling a given position. The other big question was whether we could afford the new hire. On this I would listen to Margarita, our VP of finance and operations, and Shirley. When they said no, I respected that. When they said a new hire was worrisome, we talked through how it would likely change our results over the next year. And when they said yes, we did it. They gave good advice, as best as possible when projected sales are ultimately a crapshoot.

The best example of this was when it was becoming clear that outbound sales were not working. Both Margarita and Shirley came to me and said we had a slightly negative cash flow, but it was going to get worse and continue to decline. That forced me to make a hard but necessary decision that led to a turnaround for the company.

If you’re the finance guru, these responsibilities are all on you. If you’re not, make sure you have a CFO who will tell you when you’re headed for trouble. It’s a lot easier to fix financial issues before they escalate into crises.

When everything works great

Finance was the best-run department at Windward. Before Margarita it ran well, and after we hired her it was damn close to perfection. So what was it she did that made it run well? I have no bloody idea. Anything I needed, she had at hand. She pushed information to me regularly that I previously did not know to ask for, but found very useful.

She was almost perfect at seeing where the company would be over the next two years. And every time austerity was needed, she told me no and explained why. A large part of finance is giving you an accurate picture of the bounds within which you can operate.

Everyone in the finance department was outstanding at their job, and at everything thrown at them. Margarita was so good that I also made her V.P. of Operations, and she did great in that role too[54].

Finance is interesting because it tends to either be run very well or be a disaster. There's not really room in accounting for muddling through. If you run out of money, whether your company is bootstrapped or funded, you're dead. So in that sense, finance is a pass/fail function.

But I don't know if Windward would have made it through the Great Recession if I was CEO then. Shirley was CEO at that time, and she had an amazing grasp of our financial situation and an intuitive feel for how to guide us through a very rough time. Then when I became CEO again, I was able to take a more high-level view, in part

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[54] Doing an amazing job at a startup is always rewarded--with more responsibilities.

because Shirley was still there taking a more in-depth view.

With all that said, my advice if you don't have a finance background is *not* to blindly trust your CFO. What I had in practice was Margarita as CFO and Shirley as Comptroller, and you need great people in those two roles. Because if either is weak, and if you don't have strengths to cover those weaknesses, you're screwed.

And make sure you have two people, in part as protection against fraud. But even more important is that you'll have two different viewpoints into the numbers, if your two finance people see them in different ways. Margarita and Shirley each missed things as individuals. But I don't think we were ever surprised on the financial side, because we never had an issue that they both missed.

Price Increases

We used to do price increases when someone internally would point out that it had been 18 months or 2 years or more since we had last raised prices. Raising prices with only a brief warning is not a big problem for new sales. In fact, it can help close sales that get in right before prices go up. But our existing customers would raise holy hell.

Back when we offered perpetual licenses, customers purchased annual maintenance[55] at 20% of the present price of the licenses they held. Any additional licenses they purchased were at the new price. So a price increase impacted existing customers.

[55] Including all updates and unlimited support.

Existing customers would complain about a seemingly randomly price increase, with little warning. And they were right. It was awful for the existing customers. It was awful for the Windward employees delivering this news. It was a bad way to approach this all around.

So what happened? We announced a price increase and the primary employee who was talking to existing customers about it came to me really upset. She was being beat up by the customers and felt that they had a valid point, which made it even harder for her.

We talked it through at the executive team level and decided that from now on we needed a set date, once a year, when we would raise prices. We would let all our customers know so they would have plenty of warning before the increase happened. The whole last-minute-surprise issue would go away.

This illustrates why encouraging employees to disagree and deliver bad news is so important. This was all instigated by the employee handling existing customers. She handled it by coming to me and laying out why our approach was wrong. That led to a new approach that is better for the customers, the employees, and the company.

We first decided to tie our price increase to the federal government's measure of inflation in the IT industry. But we got pushback from numerous customers that they didn't want a random increase that they would learn about just a couple of months before the payment was due. In addition, that official inflation rate was well below the growth of salaries in the startup world. So we then changed our policy to a 5% increase per year, with the statement that it was subject to change if inflation increased a lot.

We ended up with an annual price increase of 5 % every April 1. And that worked. There were always a few customers complaining every year, but they would have still been complaining even if we had no increase at all. There are always whiners, but most customers found it very reasonable to expect an annual but modest price increase.

When COVID hit in 2020, we announced that there would be no increase that year, because we knew some of our customers were hurting bad. I was not going to listen to appeals from each individual customer who asked for a delay in the annual increase. That would have been a nightmare, deciding when to say yes or no to customers going through hard times during the shutdown. Instead, we declared a year without an increase for everyone.

Switching to subscription pricing

We were a little late switching from perpetual to subscription pricing. Perpetual pricing means you pay once[56] and it's yours forever. Subscription pricing means you pay monthly or yearly to use our software, and we receive ongoing revenue for as long as you use it.

Switching to subscription is called the "valley of death" in the software industry, because your new sales revenue tends to drop on the order of 50%. Subscription drives more revenue over the long run, but a lot less that first year. In addition, there are a lot of other issues that you need to address with subscription pricing.

Having finance review our proposed switch was a large part of making it

[56] Annual maintenance was optional, but most did pay for it. So in the case of perpetual licenses there was an ongoing annual revenue stream associated with it.

successful. Margarita and Sam[57] would look at each proposal and come up with numerous issues—not just financial, but how sales would handle the transition, how customers would react, and how ongoing sales would work.

They pushed us to automate everything we could, so customers had no delays, and we didn't need to hire a million people to administer it. They were a key part of making the transition a lot smoother.

Most importantly, they showed the worst and best cases for our finances over the next two years after switching to the subscription model. They showed that we would comfortably survive the valley of death. This was a scary change that we really needed to make, and knowing we could do it safely made a huge difference. Without that road map we would have had to try a very different and riskier path to get to subscription sales.

And it turned out that sales picked up so much that first year of the transition that our net income was only slightly below the year before. We came very close to matching the previous year. And then going forward, we had all that lovely recurring revenue!

Finding the right finance people

Get the right people in the jobs on the financial side. Listen to them when they speak. Live within your financial constraints. And then you can just take it for granted that the financial team is covering your back, because it's the one department where it

[57] Another superstar in the finance department

is in your power to have everything work perfectly.

How do you know they're the right people? How do you evaluate them if you have no background in finance yourself? If you don't know finance (or any other area) well enough, you need to have someone you can go to for help. You should also have someone on your board who is brilliant in any aspect of the company you are weak at, so don't hesitate to use them. In my case I was lucky to have Shirley interviewing and evaluating our finance people.

Also, as with any executive hire, reach out to the CEO of the last couple of companies your applicants worked at. When you make an off the record, CEO-to-CEO request for an honest recommendation, you'll usually get an honest picture of the individual.

Bootstrapping vs. getting funded

Have you ever watched *Silicon Valley*? A large part of Richard's efforts through all six seasons is getting funded. That's life if you go the funding route. You will (hopefully) have an easier time of it than Richard did. But it will consume a lot of your time.

There are people who spend not just months, but years getting their initial funding. And like heroin, once you get that first shot of money you need to start working on getting the next. That first investment carries you through several years, but it is not sufficient funding to get you to profitability. Part of why it remains a problem is that investors nearly always crave rapid growth, not modest profitability. That makes sense, because growth will lead to a larger valuation at a future sale or IPO. But rapid growth also guarantees that you will need to have further rounds of fundraising.

The alternative model is bootstrapping (from the phrase “pulling yourself up by your bootstraps.”) Instead of accepting outside capital investments, bootstrappers are modestly profitable from the start and use their cash flow to finance further growth. You don’t spend any time running around trying to raise money, so instead you can focus 100% on running and growing the company.

But… cashflow is a cruel and unforgiving mistress. You absolutely must remain profitable. Yes, you can make a big investment in a marketing campaign that will cost more than you bring in for a couple of months. But over six months, or at least over a year, you need to be profitable. Because if you’re not profitable, you can’t simply do another fundraising round; you’re going to have to make cuts: cuts in marketing spend, cuts in salaries, layoffs.

Bootstrapping precludes making big bets that will take a while to pay off. It precludes focusing on growth if that focus will not be profitable short term. It fundamentally means you must live within your means while funding means you live within your potential.

The upsides of bootstrapping

Bootstrapping lets you set your own priorities. With outside funding you can’t always set the priorities that you want, because you will have to sell your priorities to your investors as the best way to a giant payout. But what if sometimes your priorities are not a road to a giant payout? Or what if they are, but your investors can’t see the path ahead as clearly as you do?

One of our core values was to do well by our customers. For example, when we switched to subscription pricing, we told our existing customers they could retain perpetual pricing. That was treating them right. But it also meant passing up significant recurring revenue, which we could have gained by forcing them to transition to the subscription model. If we had been funded, we probably would have been pressured by our investors to force every customer to convert. Would that have been the end of the world? No. Those customers probably got treated worse by some of their other vendors. But it was not how I wanted to treat people.

We also might have gotten significant pushback from investors when we created our Hub product. Our original product was sold to development teams at companies, who could then use it to teach their business teams how to design templates. But our newer Hub product was meant to be sold directly to business users, with no developers involved. In a funded company, our investors might have been reluctant to take that risk. But since we were bootstrapped, all that was required to take this leap was my own faith in it.

The downsides of bootstrapping

This may surprise you, but the biggest downside of bootstrapping to Shirley and me was that we could not walk away from Windward. When you bootstrap you have an extreme responsibility to your employees and customers. You can’t run away from it. When you hit the WFIO moment, and you no longer have it in you to keep fighting, and you just want to crawl in a hole and never see the company again—you can’t.

If the company truly cannot remain profitable then yes, you will have to shut it down. But as long as maybe, hopefully, oh God please, it might make it—you’re stuck there. You will feel a responsibility to the employees to keep their jobs viable. Yes, they can go get jobs elsewhere, but in the middle of a recession (our worst point), not easily.

If you can make it through, then closing down, thereby forcing them to all go on unemployment will make you feel awful.

Likewise, you will feel a strong obligation to your customers. They took a big leap of faith in us when they bought a document generation system from us. For many of them it was a big investment, and some reshaped their entire businesses around our software. Many of them already had thousands of Windward templates. Leaving them to find alternatives would be very harmful to them.

And finally (in some ways the biggest reason), it’s your baby. You love it, you believe in it, and you want to make it a giant success. As long as that’s still a possibility, it’s very hard to give up on it.

So if you bootstrap, keep in mind that you’re committed.

No matter how much you say you’ll keep the personal finances separate, you won’t. When we hit the Great Recession, we had to lay off a few people, reduce all salaries 10%, and try to muddle through. But we also loaned the company money from our daughter’s college funds, and took out a home equity line of credit (which we thankfully never had to exercise). We didn’t make those loans to the company because they were smart investments, but because of our deep sense of responsibility. That’s bootstrapping.

There were two moments in our history when we seriously worried about running out of cash. At those crisis points we would have happily taken an outside investment, but of course those are the exact times when no one will be interested in investing in you[58].

And there were times we wished we had the money to go bigger on some expansionary ideas we wanted to try. Who knows if they would have worked, but it would have been nice to try. For example, I will always wonder: if we'd had a much larger budget and the appropriate salespeople, could we have made outbound sales work? What if we'd had enough money to go all-in on marketing via the Salesforce ecosystem?

With that said, for about 90% of the history of Windward, we did not have a money shortage; we had a people shortage. We constantly had open job listings. If I had found a magic lamp and the genie popped out and said I could either have a ton of funding or I could have every open job for the next five years instantly filled with an A-level candidate, 95% of the time I would have taken getting the employees I needed.

The upsides of getting funding

Getting funding has some giant advantages, which is why most entrepreneurs assume it should be the default model.

Before Windward, I was a VP and/or CTO at several funded startups. What was lovely about this model, especially from my perspective in product development, was that we always had plenty of money to create or improve the product. And if we created a new product that got favorable responses from customers, we then had the resources to build on top of it. All we needed was a credible argument that the additional funding

[58] An investor is someone who will only loan you an umbrella when it is not raining.

would lead to significantly faster growth. It's lovely to get funding based on potential, because if you can paint a compelling picture, the money spigot opens.

You probably will have to go for funding if it's going to take a lot of time and staff to create whatever you're going to sell. You can write a program on your own, working nights and weekends, but creating a quantum computer or electric plane can't be a side hustle. Even some software concepts require a significant number of people.

Funding also brings in additional resources beyond cash. A good VC or IB firm will have experts who can advise you on pretty much every aspect of your company. They can also help you find the right people to fill out your executive team—and give you enough money to hire experienced and talented people.

And your investors will hold you accountable, which is gigantic. At the end of the day, if I didn't want to face an uncomfortable truth, I could put it off. And to be honest, I sometimes did put off issues I didn't want to face—usually for a day, occasionally for a week or longer. With investors, you'll have to answer to them regularly, which will keep you focused on resolving issues ASAP (or bullshitting your board, but that's a quick road to failure).

Finally, with funding, the company will (hopefully) grow faster and larger, which means you can get to a payout sooner. Payout usually means a private sale to a bigger company, rather than an IPO, but an IPO is sometimes the outcome. Either way, if you've grown a lot, you can come out of this very rich.

I think the optimum scenario is having investors who are charged up to change the world via your company, who agree with your vision and priorities, and who can help you fill out your executive team and teach you how to be a better CEO.

Do investors like that exist? Yes, but they're rare. Don't assume you will ever cross paths with any of them.

<u>The downsides of getting funding</u>

On the other hand, while funding lets you try more things and bigger things, it does not mean you will reach greater success, and it often comes with significant drawbacks.

I've never seen investors dive in deep to help in a company until it's obviously in a lot of trouble. They paint a pretty picture of their levels of support for startup founders, but reality often doesn't live up to those promises. In the companies I've been involved in, I've seen the investor involvement pass through four phases.

Phase 1: You report your financials and three to five measures of your goals for success. Where things look worrisome, your investors ask for more information. They want to make sure you understand the issues and how to fix them. Hopefully this is the only phase you're ever in.

Phase 2: They decide that you have a couple of serious problems and push for specific actions that they think will resolve those problems. Sometimes they're spot on, but it's equally likely that they're way off base. They don't have a holistic view of the company. What's valuable here is they're pushing you to fix things.

Phase 3: The investors get so worried that they replace the CEO and any other senior managers they think are problematic. At this point, you've lost control of your baby to new managers, who are now back at phase 1. If the core problem was inept management, maybe the new team will solve it. But if it was something else, the investors still may not be knowledgeable enough about what's really happening.

Phase 4: They close the company down to cut their losses. Game over.

One thing I've noticed with every CEO I've worked directly for is that they start to manage the investors instead of managing the business. Now to some degree, yes, you need to do that; it's a mistake to keep your investors at arm's length. But if catering to their needs takes up too much of your time, that can become a damaging distraction. And if you view them as an obstacle rather than a resource, that's really bad.

The consequences of windward's decision

I sometimes think that with the right investors, and the expertise they might have brought to help us find the right people to manage marketing and sales, Windward could have been ten times the company it was. Would it have been worth giving up half the equity if we could have made the company ten times more valuable? Financially, yes! But of course that previous sentence contains a very big "if."

So why didn't we ever seek funding? Because it would have been a 6 to 18-month effort, during which I would not have been able to focus on Windward. And at the end, funding might have worked, or it might have failed—even with the "perfect" sales and marketing VPs and campaigns.

Besides, when things were awesome and investors would have been most interested in Windward, we were so busy growing that we had no temptation to seek funding. And when things were going badly, pitching investors was going to be very difficult and would have required giving up a large chunk of our equity. So there was never an ideal moment to seek funding in the 17 years that Shirley and I ran Windward.

I don't regret bootstrapping because I enjoyed the job, at least most days. And it allowed me to run the company according to our team's goals and core values, not those of any outsiders. There's more to life than maximizing your bottom line. Every time I see a company that stops improving their product, that treats their employees as cogs in a machine, that screws their customers—I take joy in the choice we made.

Chapter 6—Product Development: Designing and creating your brainchild

> *"If you don't innovate fast, disrupt your industry, disrupt yourself, you'll be left behind." —John Chambers, former CEO of Cisco*

> *"The biggest risk is not taking any risk… In a world that's changing really quickly, the only strategy that is guaranteed to fail is not taking risks." —Mark Zuckerberg*

Product Development

If you're the CEO of a small company that's not in technology, this chapter may be of little use to you. But if your company is large enough, at a minimum you have a software team. And what I'm covering here also holds true for any group of knowledge workers. Not just in engineering or science, but even something as far afield as Hollywood, where creating a great movie requires amazing creativity, similar to developing great software—the process I know.

100:1

Let's start with a fundamental rule of thumb of software development: a programmer or product manager in the top 10% of talent is 100 times as productive as one in the bottom 80%. In my experience, that rule of thumb actually understates the value of exceptional talent.

We hired several programmers who had more than ten years of experience. They had previously worked on substantial projects, and we gave them some easy tasks to start. Then we gave them a medium-hard feature to improve. To our surprise, they struggled repeatedly. One kept writing different approaches, then throwing that code away when it didn't work. Another kept reading our source code, then books on how to improve complex code, but he was too frightened to actually write any code.

Were these assignments harder than we thought? I tried the first one myself and implemented the new feature in about an hour. The second one took me a couple of hours. So yes, these problems were easy for a top 10% programmer.

We soon discovered an even bigger problem than slowness: both of these new hires were writing bad code. It was overly complex, buggy, and would make future changes even harder because it would confuse future programmers. (This is why, when any software program reaches a certain level of complexity, a team working on it can't make progress.)

On the flip side, we had a new intern, Connor, who was still just a college sophomore. We gave him some simple bugs to fix, and he solved them all with minimal need for feedback or corrections. Then we gave him some medium-hard problems, and he got those perfect too. At that point I told him to feel free to ask me[59] any questions, but we would no longer be going over all his work with a microscope.

Some people's brains are wired for this kind of creative work, but most aren't. It's the same reason Hollywood will pay Steven Spielberg $40 million to direct a film, instead of hiring one of the thousands of competent directors who'd do it for under a million dollars. This 100:1 productivity ratio holds for programmers and product managers, who need to be as creative as actors and directors. Other roles in a startup,

[59] He was in code I knew the best, so I was his mentor when he started.

such as project managers and quality assurance managers, have a smaller ratio between top talent and mediocre talent—I'd say roughly 8:1. This makes the stakes much lower when you hire for those other roles. Lower, but still very important.

Working on a team where everyone is in the top 10% of talent is an incredible experience. Our interns just assumed that's how every startup is, since they had no frame of reference. But among the people we hired who had experience elsewhere, every single one of them sooner or later told me they had never previously been on a team where everyone was stellar, and that they loved working in this environment.

Building a team of top people not only gets you this wonderful multiplier of them all working together, but it also creates a work environment that employees come to treasure. I'm especially proud that we had numerous interns who would leave Windward to work elsewhere, only to discover that other companies sucked. They had much worse teams and working environments. Many would then come back to us[60].

The 100:1 ratio will obviously drive your hiring choices, but it should also drive your entire approach to product development. Everything you do should be built on understanding this difference. Search relentlessly for that top 10%, hire them, keep them happy, and make the maximum use of their talents.

Give product designers ownership and manage them loosely

Another difference between hiring the top 10% and the bottom 80% is that you can't micromanage top performers. You can't treat them like assembly-line workers who

[60] We called these returning employees boomerangs.

need detailed guidance and close supervision. Instead, you need to explain the desired result, why it matters, and then leave them free to figure out how to accomplish it. A more hands-off approach will lead to far better results along with much higher morale.

For example, our then-intern Matta was given the assignment of rewriting the code and form to request a demo on our website. The way we normally acquired new customers was to ask anyone who was interested to fill out a form on our website. We would then email them instructions on how to download, install, and try out our program. So the code and form for this demo was an essential first step in generating new sales.

When Matta said that his code was ready for my review, I told him he could take it live whenever he felt ready—but that if it failed it would kill our only source of new revenue. So he decided to take two extra days to test his work before launching it. And every few hours for the next three days, he requested a new demo. Not every few hours during the day—every few hours for more than seventy-two hours straight.

He was going to the website like an ordinary prospect, filling out the form, hitting submit, and verifying that his contact information was then sent to sales. (I hope he got some sleep during those three days!). His sense of personal ownership led Matta to go above and beyond, to deliver flawless results.

When everyone you hire is top 10%, you can skip many of the traditional steps for closely managing people, reviewing their work, and correcting every little detail. I'd argue that this looser approach roughly tripled our productivity, which more than made up for the occasional mistake that slipped through the cracks.

As a bonus, when you are managing loosely, you can give everyone work that they are good at and enjoy. Every developer has strengths and weaknesses, so you can play to their strengths.[61] Because if you don't give them projects they enjoy, lots of other companies will be happy to hire anyone in the top 10%. And you want your people giving it their all, because you've left it to them to define their work.

Our product goals at Windward

As we went forward there were three fundamental goals driving the design of our product. The top priority was to keep the user experience simple, so business users would continue to find it appealing. This not only meant making it simple to do most anything, but to have a user experience that was quick and easy to learn.

If you cram a software product with 20 different options, users will feel that they need to understand all 20 options. But each additional learning step is a speed bump, slowing down their mastery of the overall product. Every new concept introduced was an even larger barrier. But if your team can remember the mantra "simple, simple, simple" your customers will find your product easy to learn, easy to use, and more appealing overall.

In our case, the key to simplicity was leveraging Microsoft Office. Anything we could build on top of the native functionality of Office was one less new feature or function we would have to teach our customers—who almost certainly already knew Office. That was a powerful advantage.

Our second goal was to listen to customers and prospects and ask them a lot of questions about what problems they were trying to address and what features they

[61] For example, I suck at UX design.

would like to see added. Customers and prospects are usually bad at feature suggestions because they are focused on their specific use case, not the way others might use the product. But customers are great at flagging problems that we can then find a general solution for.

If you'll pardon a technical example, we kept getting asked to add a scripting language to our tag system. This struck me as something that would be difficult for most users to learn, as well as a large mess whenever one user had to debug another user's script. What we did instead was add custom macros, written in C# and added to our system. So just as there were the macros we provided such as SUM() and COUNT(), a company could add their own such as INSURANCE_DEDUCTION(). By going the macro route, we kept the programming to a customer's own programmers, who had the full power of the .NET runtime to create the macro. The customer's regular users would only see a special macro, which was easy to understand.

Our third goal was to constantly make the product ever better. Long before I ever learned about OODA loops (the powerful four-stage military methodology of **Observe, Orient, Decide and Act**), we were staying ahead of our competitors by iterating about 20 product innovation loops for every one of theirs.

Early on I worried that one of our competitors, particularly Microsoft, would not only copy the functionality of Windward's program, but surpass it. But as the years went by and we kept making our product better and better, neither Microsoft nor anyone else was catching up. In fact, we kept leaving our competitors even further behind by adding major new functionality and powerful new features while they stuck to making small improvements. As time went on, the quality gap between Windward and our competitors' products became a chasm, which gave us a huge advantage in winning and retaining customers.

As time went on, we added additional data sources[62], additional output formats[63], and additional template types (Excel and PowerPoint). Most of our customers would eventually make use of all this new functionality. For instance, one customer started with all their templates in Word, but two years later they had converted everything to Excel templates, because that worked better for them.

We kept making the product both more powerful and easier to use. It became possible to write incredibly complex queries against the data source, using the wizard to build it up cleanly and simply, with live feedback of the data that would be returned.

To me, the ultimate measure of our success was twofold. First, it was rare that our customers could not get exactly what they wanted from our product. For instance, the program manager at one of our large financial customers told me that, for the first time, they had the exact portfolio statements they wanted. Before Windward they were limited by the formatting and layout functionality of some other docgen program. But with us they could use Microsoft Word for formatting and layout, which was pretty much unlimited.

Second, our product was so easy to use that we didn't need to have a professional services team, because it was easier for us to teach a customer's domain experts how to use our product, and then they could teach all the other users. Only twice did we ever have a problem where a new customer insisted that they needed professional services to train their users. So we added those services as part of their

[62] SQL, JSON, OData, Salesforce, and more
[63] PostScript, SVG, bitmaps, direct to printers, and more

bundle—and then the customer realized they didn't need extra help, and got mad at us for selling it to them! So I made it a policy that any customer who insisted on professional services had to talk to me, so I could explain why they didn't need it. After that, if they still wanted extra help, no one could claim that we had pulled a fast one.

I am incredibly proud of the product we created and how it evolved and improved. Through the years our company faced a lot of serious challenges, but product development was never one of them. We were always generations ahead of our competitors, because of our approach to development and hiring the right people for that essential role.[64]

The Product Manager

It's absolutely critical to have a good product manager, preferably someone who has that as their sole responsibility (early on product management was one of several responsibilities that various people had). You need to constantly reevaluate what in the product is good, what needs to be improved, and what needs to be removed.

When we first hired a full-time product manager, it was a night-and-day difference. I had been doing fine as our part-time product manager early on, and then Ryan was also good in that role part-time. But it hurt us that neither of us went home each night thinking through all the product management issues.

A product manager needs to understand the program, and how customers use it,

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[64] Side note: if you need a document generation solution, Windward is still by far the easiest and most powerful, so check it out. I am no longer connected with the company and receive nothing if you buy it, but I do remain the proud father of my baby.

better than anyone—including the developers who designed it. He or she must essentially become one with the program. This understanding is the key to determining how best to improve the product, and which parts shouldn't be touched. Without this deep understanding, a software product becomes a discombobulated mess of a hundred extra features, tacked on seemingly at random.

The project manager also needs to be creative about how the product should evolve in the future. On this measure—expanding the product into new territory—we didn't do nearly as well. It's easy to get so sucked into improving the product that you already have, so that you don't take time to look for dramatic new opportunities. But due to that tunnel vision, we missed out on some gigantic opportunities.

This was my fault as much as that of our product managers, since I never pushed them to find new worlds to conquer. I would point them toward some possible areas that I thought we might expand into. But being very focused on improving what we had, and making some short-term improvements, was not the same as seeking blue sky opportunities.

By the same measure, an outstanding experienced product manager would have looked for those opportunities without being pushed, but we didn't have one who took that specific initiative. Our product managers, who were kept very busy, kept their focus on the existing product in the existing market.

This will be covered in more detail in Chapter 16, but I'd say that Windward's biggest non-personnel mistake was not urging our product managers to spend significant time pursuing new opportunities in new markets. Product managers can be incredibly powerful, but you have to use them appropriately.

When the head of product development goes astray

Managing product developers can be harder than it seems. In the early days of Windward I managed the dev team myself, and it ran very well. We were still small enough that I could keep the management style very loose and informal. But as we grew, we needed to bring in more organization and formal management, which started to have some negative impact. When I was promoted back to CEO, we clearly were at the point that we needed to hire a full-time VP of product development, and I was very careful selecting who to hire.

Everyone who interviewed Camila[65] thought she would be great, including me. She seemed like she'd be comfortable disagreeing with me, and that she could manage our developers with a light touch while introducing systems that we needed to support our growing size and complexity. She was already a project manager at her previous company, so it didn't seem like this new role would be a big jump in terms of her number of direct reports. It might be a big jump in mindset to become a department head, but we felt she had the experience to make this next step.

Alas, we were totally wrong, and Camila became a slow rolling disaster. Right off the bat, she failed to win the respect of the developers. She would email them more than talk to them. She did not give clear guidance, but instead left them to tell her what they were working on. She did introduce some new processes, but the developers responded like little kids being forced to eat their vegetables. And Camila had no idea how to handle that resistance. So our three project teams basically started to ignore

[65] Not her real name

their VP, going in their own directions and setting their own priorities. Communication broke down and morale sank.

I think her problem was that she was intimidated by the developers, because their skills were so far beyond her own experience. Maybe she didn't feel qualified to direct them. For instance, after we hired one of those experienced yet struggling developers that I described above, I had to tell Camila that she needed to fire him, instead of her reaching this obvious conclusion on her own. The developer hadn't written any useful code in his first month, but she desperately wanted to keep him and find something new for him to do. Shirley and I wondered if Camila wanted to keep him because he was one of the few developers who didn't intimidate her.

Meanwhile, as a member of the executive team, Camila was useless. She would rarely (if ever disagree) with me, neither in front of anyone else nor in private. Even during our rare disagreements, all she would do was defend her actions. In every strategy and other executive meeting, she voted for whatever my opinion was. I never received any useful advice from her, which was a significant opportunity cost.

I told her that a key part of her job was to develop her own opinions and speak up at these meetings, but she couldn't bring herself to do it. At her previous job, her manager had told her exactly what to do, and now she tried to manage her own direct reports the same way. She could not break out of that old-fashioned, command-and-control management style, even though it was failing.

There's a giant difference between managing average programmers and exceptional programmers. Camila had no prior experience working with top 10% programmers and didn't seem willing to learn how to manage people at that level. As a result, we lost two brilliant developers—one of whom just needed a manager who could allow him to vent when he got frustrated. A good manager could have navigated that personality challenge as the price of having a brilliant employee, but Camila simply couldn't get along with him.

Additionally there's the opportunity cost. We significantly improved our objectives, strategy, etc. from her successor's feedback. I never received any useful advice from Camila and that meant the company did not gain anything from her sitting on the executive team.

Part of the problem was that it took a long time for me to recognize her mismanagement. Product development had previously been well run and with a light touch, so the department's performance didn't degrade quickly. Things only got a little worse from month to month, so it was hard to step back and see the sum of the decline over the course of a year. It also didn't help that at the time I was focused on sales and marketing, and not paying enough attention to product development. That was a big mistake on my part.

When I finally realized the magnitude of the problem, I put pressure on Camila to live up to our expectations. But she couldn't bring herself to step up to the challenge, manage her team more effectively, or navigate constructive disagreements with either her people or the rest of the executive team. Instead, she quit, in a very contentious parting.

In hindsight, we had interviewed her for independence of thought, and had verified that she knew how to organize the department. We thought she had what it took to manage brilliant developers, and apparently so did she. After the fact, we couldn't see any red flags that we had ignored. Sometimes you can do everything right during the hiring process, and the candidate can answer every question with flying colors, and the reference check can look great, but you still end up with a dud. It happens.

My biggest mistake wasn't hiring Camila, but failing to establish clear metrics for her performance from the start. And those key metrics should have included speaking her mind to me and taking control of her team. Both can be hard to measure objectively, but even an imperfect effort would have forced us to address her problems much sooner. I also failed to hold her to account on the changes I had expected to see within her department. That was a big lesson for me going forward.

You can never assume an executive is up to the job and just leave them alone to run their department. You can give them a great team, but that does not mean they'll be successful with it. From that point forward, with every new executive in every department, I asked for 90-day and 180-day plans for what they were going to do, and then we followed up on it. When Shirley was CEO she went even further, asking for a 90-day plan from potential new executives during the hiring process.

The ongoing search for great product leadership

After Camila quit, product development fell back on me for a bit, as we tried to recover from the damage and get everyone properly focused again. Then we started looking for a new VP of development. Dwayne[66] was a much better manager, getting the team under control and speaking his mind to me. Unfortunately, he also ran into problems with the unique quirks of managing top 10% developers, and trying to hire more of them. People who are used to managing average talent usually have no idea

[66] Not his real name

how hard it is to hire and retain top 10 talent.

A bigger problem was that Dwayne never grasped the importance of our core values, or the concept that someone could be excellent at their job yet still poisonous to the company. We had a product developer who was both, but all Dwayne saw was the work they were doing and how hard they would be to replace. To him, this person's constant litany of cynicism, complaints, and clear contempt for some of our decisions were irrelevant. I finally had to fire that developer over Dwayne's objections.

In our strategy and executive meetings, he found it impossible to see beyond the interests of his own department, rather than the whole company. That's not necessarily a deal-breaker for a department head, but it makes them much less useful—a B-level contributor at best. Being a valued member of the executive team requires a lot more than being a manager.

Teach your department heads that while their primary job is making their own department successful, they also have to help make the entire company successful, even if that requires making some sacrifices to help other departments. That's what distinguishes A-level execs from B-level types like Dwayne.

I found Dwayne acceptable since he was effective at running product development, but when we later had to do layoffs for cost savings, I added his name to the layoff list. Several months later, when had gotten through the financial crunch of our transition to a subscription sales model, we looked for a new VP of development.

Our third person in that role, Jim, was superb. He brought the appropriate level of organization and process management to the development team, while also being a vocal and enthusiastic contributor to the executive team. He helped us keep our overall strategy moving forward, and would call us out if we ever proposed an idea that didn't align with our long-term goals. He was very proactive in understanding how our product was being used and how it could evolve next. He was very comfortable disagreeing with me, but once a decision was made, he did his best to execute it.

This didn't mean everything was all ice cream and puppies. Product development is hard, and we still had to make painful trade-offs due to limited resources. We still had ship dates that slipped sometimes. We still had bugs that required a fix ASAP. And we had very "robust" discussions on OKRs, strategy, and what exactly we were as a product and as a company.

But all those problems were easier to resolve once we had a great VP of development. We got much better at predicting what we would ship and when. We significantly reduced the bugs in the product. We further grew our ranks of top 10% developers. And under Jim, we did not lose a single person in that department, which is a very important metric for long-term success.

Perhaps best of all, once we had both Jim and Margarita on our exec team, I could see the awesome power of having an entire executive team of A players, all of them focused on refining and achieving a smart strategy. If you can fill every VP-level role with that kind of talent, you will be in truly excellent shape.

How much should you get into the weeds of product development?

If you're a developer at heart, adding new functionality to software will be one of the joys of your life. There's no need to deprive yourself of that fun. When time allows, shut your door and implement whatever functionality you would love to see added[67].

Your development VP and product managers will push you to follow their standard process for adding features, and they might object to whatever you want to add. Be polite and listen to their concerns. But after that, if you still think it’s a good idea, do it. You might cause some frustration in the development team, but keep in mind that it’s your idea that is the foundation of the company and so you have good instincts here.

I once spent a weekend adding two features (hiding tags and live imports) and recorded videos of them in action. When the sales team saw the videos, they found them so compelling that they started showing the videos to potential customers during sales demos. The prospects liked what they saw, so the changes I had worked on were then checked into the code base. They went through the formal process of product manager review, code review, testing, and so on, before they shipped as part of the next release. Customers loved both features, which I found incredibly satisfying. It meant I could still be a coder rather than a just a full-time CEO.

Those of you who aren’t developers won’t get to share that experience, but please don’t let your developers intimidate you. Yes, if they’re really good they can do amazing things. But it’s your responsibility to make effective use of their talents. And if you have a wild-ass idea for a new feature or product line, sell it to them with your passion and confidence. You can have a big impact on the direction of your product, even if you never write a line of code. And that’s joyous.

[67] I know two other CEOs who did this, and they also found success in what they created.

Chapter 7—Marketing: Why will anyone want this?

The first rule of marketing is that there's almost never one magical marketing strategy that will strike gold. It requires a ton of effort, trying interesting idea after interesting idea. It's a never-ending slog that may drive you crazy sometimes—or all the time.

The second rule of marketing is that you need to try and measure. Try everything, measure its effectiveness, and ruthlessly end anything that is not working.

Oh, and everyone thinks they're good at marketing. They're not.

Cubicle Wars

One spring I saw two talented filmmakers on YouTube, Luke Barats and Joe Bereta, put up a hilarious video celebrating Mother's Day. So I reached out to hire them to create a video for Windward. Not a marketing video, but an entertaining video ("Cubicle Wars") that might inspire curiosity about our product. We got over a million website visitors that first week, which was astonishing for a small enterprise software company. And over the next five-plus years, that video tended to be our third- or fourth-biggest source of web traffic each month.

A huge marketing success, right? Well, guess how many customers actually bought Windward software after discovering our site via that video? Zero. How many even asked for a demo or price quote? Zero. As best as we can measure, not one prospective customer came to us from watching the video. People loved it, clicked the link, read a page or two of our website…. And then left.

So we had an interesting idea, great initial interest, but ultimately no impact.

You'll get that too—a lot[68].

Google, Google, Google

During those early years I did SEO before that was even a thing. I posted in technical forums and other places about Windward, which often led others on the sites to tell me to stop posting marketing spam. When I replied that I was the author of the product and proud of it, they usually let my posts remain.

Then I discovered a new search engine that people were starting to use: Google. I tried running some search-based ads there, because they were cheap, around $0.05 to $0.12 per click. I still remember being indignant a couple of years in, when one ad cost an exorbitant $0.42. Those were the days! Today if you want a Google search ad against a search term like "document generation" it will cost you $10 - $15.

For quite a few years, about 99% of our effective marketing was done via Google. We couldn't have gotten off the ground without them. But remember rule number one—there are no magic bullets in marketing. Any tactic you try that really works will sooner or later get more expensive, or will stop being as effective, or both.

Let's get professional

Before too long, Windward was big enough that we needed to hire a full time VP of marketing, instead of having me run it on the fly part time. We went through a series of marketing VPs who ranged from good to great. In general, each was more effective

[68] It remains one of my favorite marketing ideas.

than the previous one, with one big (and terrible) exception.

One frustration I had with these execs is that they all had their two or three favorite marketing tactics that they stuck to with seemingly religious devotion. When those tactics didn't work, or stopped working, they mostly just tried variations on the same theme instead of exploring bold new approaches. I don't think it's a coincidence that the marketing VP who got the most creative, and had the most success, was the one who joined us with the least prior experience.

When I pushed our marketing VPs to come up with new strategies, some of them basically froze. One of them, I swear, had the same answer for every question: we need to create social media content. Original content can be useful, but it's never a magic bullet (see rule one again). It will probably never, on its own, bring in a deluge of quality inbound leads.

Bob, our final marketing VP and by far the best one, tried various campaigns aimed at different targeted goals, such as outreach to Microsoft solution providers. He concluded that the only time our marketing messages were truly effective was when a prospect was actively looking for a document generation solution. If we could be right in front of prospects at that moment, they would pay attention. Otherwise they would ignore us, no matter how clever our messaging or how entertaining our content.

Bob and Donny (the VP of sales) backed up this conclusion with ten years of sales data, matched up against the times when we succeeded in hitting prospects at the right moment (rare but effective) versus when we didn't (common and ineffective). In other words, it took about ten years for us to stop wasting most of our marketing budget.

What made Bob a great marketing VP was the clarity of his insights about when and how we should be investing our marketing efforts, and what specific goals we should be aiming for, along with his willingness to accept that other goals were a waste of time and resources. Going exclusively after the proper target is a huge advantage, but few professional marketers seem to have that level of discipline.

Bob was also our only head of marketing who actually learned how to use our product. He knew that deep knowledge of the product was critical to effective marketing. So he learned early on how to use it, then crafted smart marketing messages based on what the product actually did and how prospective customers could get the most value from it. That sounds like basic competence, but I found it surprisingly rare!

The danger of timidity

As we worked through that series of marketing VPs, before we found Bob, I wound up suggesting most of the new marketing ideas myself. Some were effective and some totally failed, but at least we were experimenting. My biggest frustration came whenever my marketing department was too timid to experiment, especially when I wanted to push the envelope of what might be considered appropriate.

For instance, I proposed creating fake and affiliate sites, which were “independent” sites that would review the various docgen solutions, with details about the strengths and weaknesses of each. The goal wasn’t to sell Windward, but to ensure that Windward would be on their short list to evaluate. Did it really matter who owned the site if the facts it listed were accurate? Our VP at the time fought me, but I went ahead with creating those sites. And then for several years they became our second biggest source of quality inbound leads, behind only Google (Google’s Panda update killed them).

In another example of timidity, when Shirley was CEO she had to force the marketing VP to start using Marketo, a powerful tool to track where our website visitors were coming from, so we could have clearer evidence of what was or wasn't working. She first suggested it, laying out why it would be so valuable, then mandated it after repeated pushback. Having to force that VP to adopt Marketo should have been a clear sign that he needed to be replaced.

When I decided to lay off our outbound marketing (and sales) team, including our VP of marketing at the time, I asked my board what skills they thought we should prioritize in a new marketing manager, to make it a narrower job with a clearer focus going forward. Their unanimous opinion was that we should wait to hire anyone, and have me go back to running marketing. They thought I was more effective as a part-time marketing manager than any of our full-time VPs had been up until that point.

I explained to the board that I wasn't a marketing genius but at least I was willing to experiment with lots of possibly crazy ideas, and I wasn't dogmatically locked into any specific tactics. I had one more advantage: I really understood our product and how it could improve the lives of our customers. And over the years I had found a lot of success.

You may not have any formal education or experience in marketing, but if you have a great feel for what your customers want in the product, give it a shot. You might end up being more effective than the individuals you can hire.

Marketing is Measurement

The key to trying a million crazy marketing ideas is measuring the effectiveness of each one, and repeating the ones that give you a positive ROI. That probably sounds absurdly obvious, but I've found that plenty of marketing pros are terrible at the measuring half of the job. When you combine great creativity with bad data collection and analysis, you get bad marketing.

Every marketing manager wants to look good, which creates a powerful incentive to cherry-pick the data to make their campaigns look as successful as possible. As the boss, you have to be on constant alert for marketing reports that don’t exactly lie, but don’t give you a complete picture of what happened.

For instance, one month your marketing head might brag that quality organic search results have gone up, with no mention of paid ads. The next month, she might brag about a spike in quality paid search results with no mention of organic. Your alarm bells should go off. If both numbers are important, we should be tracking both! Every month!

Our very first marketing VP excelled at this kind of spin. Her monthly reports made it seem like our marketing effectiveness was constantly improving, because she only featured the good news from month to month. We had to push her to track the same metrics each month and give us accurate charts showing the two-year trend for each metric, good or bad. Once we forced her to do that kind of reporting, it became clear that our overall marketing effectiveness was flat or even slightly down.

Since you can’t focus on every metric, you and your marketing head need to agree on the three to five indicators that matter most, and watch those carefully from month to month. Ask for a graph of the 12 trailing months and the prior 12 months before that, so you can watch for seasonal trends rather than the impact of a new marketing campaign.[69] Those metrics and graphs have to become the objective benchmark of whether your marketing team is doing a good job. Marketing VPs tend to hate this approach, because it's brutally honest, but it's the only way to spend your marketing budget wisely.

For a B2B company like Windward, the most important marketing metric is the number of quality inbound leads. "Quality" has to be defined as the kind of customer who will be profitable if they convert. Beware of anyone in your marketing department who wants to track vanity metrics, such as the number of website visitors or social media clicks. Marketers love to measure website and social media engagement, because they love knowing that more people are looking at their beautiful designs, graphics, videos, and other content. But if that visitor doesn't turn into a serious prospect, it doesn't help the company.

People like to be rewarded for working hard and implementing a beautiful, well-executed campaign. That's only natural. But while the Cubicle War videos (for instance) were cool to make and drove a lot of clicks, they ultimately accomplished nothing and therefore are not a win. In those situations, the marketing team shouldn't be rewarded.

I was talking to a marketing VP at a big high-tech company who said he had learned to pursue whatever benchmarks upper management set for him, whether they helped the company or not. For example, when they wanted to see more ads clicked on, he ran more ads in Latin America, because people there love to click ads for some reason. It didn't mean more sales, but he wasn't being asked for more sales or even

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[69] For instance, ice cream sales always climb in June, so an ice cream marketing team won't deserve credit unless you're outselling the previous June.

more leads, just more clicks.

As a nonmarketer running a startup, it is so easy to be led astray by cherry-picked data, beautiful content, creative ideas, well-executed campaigns, and the clear fact that your marketing people are working hard. But as CEO you need to look at marketing from the viewpoint of the key numbers. Because you'll only get whatever you ask for and measure.

You should also focus on the number of new and different ideas they are trying. Sure, variations on a marketing tactic that is already working can be great. But a good marketing team will have several very different campaigns in process at any given time. Even if the old tactics are very successful, they'll have some interesting new stuff in the works. If they don't, that's a problem.

Also, watch out if your marketing team hits a failure, then continues to do more of the same. The VP who saw content as the answer to everything, when his several major content pieces failed to bring in prospects, decided that the answer was more, similar content. That was a big warning sign that this person was out of new ideas and not creative enough for the job.

A nuclear-level disaster

I'll never forget the worst marketing VP we ever hired. Mia[70] was a spectacular mess, a complete train wreck. Even during her first week, she was in tears several times over multiple grievances, especially about the alleged incompetence of our VP of

[70] Not her real name

sales. At that point I was still learning when to trust my gut on people problems, so I asked Emma (VP of people) for help. She and another exec talked Mia off the metaphorical ledge, several times.

In addition, Emma strongly recommended we should make this work. Being borderline autistic and realizing that my people skills sucked, I deferred to her recommendations on this. So I tried to get Mia to calm down and focus on her job.

But she continued to tear into our VP of sales at every opportunity, calling him incompetent in executive team meetings as well as during her one-on-ones with me. I told her that being so hostile in front of the group was unacceptable, and she should come to me privately if necessary. And I said we weren't going to get rid of our sales VP, because in my judgement he was competent. While she was claiming that he couldn't lead his sales team effectively, I saw that they were closing sales at a good clip.

Next, we had a big fight over our budget for Google ads, the only effective marketing campaign we had going at the time. Mia wanted to turn off Google and redirect the budget toward an outbound email campaign that was going to be "so much better." I refused and said she had to prove the effectiveness of email before we committed. She clearly found me stupid for continuing to "waste" money on Google.

In addition, she didn't want anyone in other departments talking to marketing about possible new ideas or tactics. She shut down all the official and unofficial communication channels between marketing and the rest of the company. Marketing knew all and the rest of us would simply have to accept their output.

Then Mia claimed that our existing Salesforce workflow was not up to the necessary steps required to properly handle an effective outbound campaign. She made a credible argument that we had to measure activity of prospects from the outbound campaign and not contact them too early or too late. So we had a two-month delay while an outside firm built a new workflow, which turned out to be overly complex and poorly programmed. It turned out the consultants she hired did not have any expertise in the Salesforce API. The process was frustratingly slow as we wrung the bugs out of it.

Finally, after all the drama and delays in launching our outbound email campaign, Mia refused to rent a top-quality list of prospects at first, because she insisted the sales team couldn't handle it. I agreed to allow the first test run to be a secondary list. But then I told her she had to use one of the primary lists to generate quality leads. It would be the job of the sales VP to make effective use of the leads Mia's team generated. This led to more major arguments.

Mia finally ran a campaign with one of her best lists, and then a second list, and then a third. And we got … nothing. I think two or three people visited the website, leading to zero new sales or even demos. No one even downloaded the "Beautiful Reports" white paper we had created. So after 3+ months of drama, intense work, and lectures from Mia about how everyone else was incompetent and she was going to blow away the effectiveness of our Google ads, we had nothing to show for it. At that point I finally pulled the plug and fired her.

Why did I let the problems go on so long? In retrospect all the signs of failure were obvious, like the teens going into an abandoned house at the start of a horror film. How could I be so dumb? Well, nothing is obvious in the moment. Whenever you hire a new executive, you will start with optimism about a better future for the company. In addition, you made the decision to hire this person. How do you turn that into "I made a big mistake" two days later? So the weeks turn into months, and you get pulled into the immediate issues of addressing the drama instead of stepping back to evaluate her work and goals.

It's also easy to tolerate a bad hire by focusing on reaching your next goal. I kept telling myself that if we could just get through another month of her tantrums, we'd have an outbound email campaign bringing us a cornucopia of quality leads. We had been striving for that goal for years, and just one more month of anguish seemed like a small price to pay for it. But then one month turned into two and then three. Meanwhile, I asked several marketing people I knew for their advice about Mia. They all said that she seemed to be an expert at outbound email and was doing all the right things. So I had outside validation to stay the course.

Here's an interesting question I often ponder: If this outbound campaign had brought us a cornucopia of new leads, would it have been worth all the problems Mia brought to the company? You could argue it either way, but I think I still would have fired Mia because she was so destructive to the company culture. For instance, during the week after I fired her, pretty much everyone at the company came to me privately to thank me for finally letting her go. They were all happy that we could now return to our collaborative process of idea sharing, especially between marketing and sales.

So how big a disaster was she? In hindsight, fortunately, not that awful. Mia did drive two members of the marketing team to quit, but both were B players, and she hired an A player. So the long-term damage wasn't so terrible. In effect we exchanged two Bs for an A, a trade that I'll take that any day. Aside from those two resignations, everyone else appeared to bounce back quickly, despite a lot of bruised feelings.

Another positive outcome: we learned that outbound cold emails don't work for our kind of B2B product. While it's more fun to learn that something *does* work, of course, getting an unequivocal *no* can also be very useful. I just wish we had tested Mia's plan more quickly and cheaply, by trying our first outbound campaign using our existing, inferior system rather than investing time and resources in a more advanced Salesforce workflow.

This experience was also a big step in my journey to trust my own judgment as CEO. I had worried that my poor people skills meant that my gut instinct about Mia was wrong. All those employees thanking me after she was fired gave me a very powerful message that I could trust my instincts in future similar situations. Shirley also reassured me that Mia's drama was unprofessional, and it was perfectly fine for me to declare zero tolerance going forward for such antics among any employees.

As a founder or CEO, you will sooner or later have an equally awful problem that you've been too slow to address. Don't beat yourself up. Learn from your mistakes, make the necessary changes, and then move forward toward your next success. It may sound counterintuitive, but these bad experiences will help you learn to trust yourself.

Four potential red flags in your marketing department

Here are some more potential red flags to keep your eye on, to make sure that your marketing department is on track.

First, everyone in marketing needs to understand the product well enough that they can give a thorough demo to a potential customer. How can they market something if they don't truly understand it? At Windward, sadly, we failed on this for about half the marketing employees.

For instance, Chris, who started as a marketing intern, could demo the product as well as any of our salespeople, and could answer any questions about how it worked. That deep level of understanding enabled him to create marketing messaging that was spot-on in focusing on the strengths of the product. In contrast, two of the marketing VPs that Chris worked for didn’t understand the product; they weren’t even able to give a demo. As a result of that shallow understanding, one VP had us create a white paper titled “Beautiful Reports,” when our primary customers were using Windward for document generation (placing any data in any layout), not pretty reports. His lack of understanding of what mattered to our customers wasted a lot of effort on a useless white paper.

I think most of our VPs were too scared to try to learn the product in depth, so they kept making excuses about why they had more important things on their plate. But it’s also on me for not forcing the issue sooner. I finally saw the light when our best-ever marketing VP, Bob, learned the program very early on, with no prompting from me. He even learned it well enough that he had good suggestions for improving the product. His product knowledge was a big contributing reason for his effectiveness.

The second red flag is if your marketing people try to play gatekeeper with your collateral material. I insisted that no one would be required to give us any contact info in exchange for a PDF on our website. My view was that people were self-evaluating and wanted to browse independently, without being hassled by a salesperson. I’d rather have a potential customer start with the download, evaluate it at their own pace, then come back to us with questions or a request for a demo. At that point a salesperson could take over. If they don’t want to follow up after downloading our informative content, they almost certainly would not be a good fit.

Many marketing people like gatekeeping and collecting emails before giving out information, because it lets them point to another metric of leads generated—even if those leads aren't worth anything. Keep an eye on what your marketing department is truly trying to accomplish. Looking good, driving lots of clicks, and controlling the prospects are bad signs, whereas a marketing department that's trying to provide prospects with what they want and focusing on quality prospects rather than raw totals is a good sign. Beware of vanity metrics!

The third red flag is boring, inauthentic messaging, whether it's website copy, email language, social media language, or any other kind of content. For instance, we added one of those robo-help applets to the website, and Cassie (an excellent content writer) wrote up all the prompts and answers. She used a quirky, unique voice that I loved, and so did most of our website visitors. But then the support person at the company providing the applet gave her their "best practices" for response phrasing, and Cassie reworked all the language to match their suggestions. It became much more professional, but at the cost of losing all personality. The result was a 50% drop in effectiveness, so we switched it back[71]. People prefer personality, so be interesting!

The key question to ask about all your messaging: does it come from the heart of your product and the core values of your company? If not, maybe you need some new marketers. Being just like everyone else is not the road to your unique success. Your messaging needs get to the heart of whatever sets your company apart. If you try to be appealing to everyone, you'll become so generic you will no longer appeal to anyone.

The fourth red flag is if your marketing department doesn't have a good content management system (CMS). You absolutely need this, ideally from day one. As the

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[71] She did the right thing by trying the suggested wording. And she then did the right thing again in reverting back.

years went on, we not only had trouble finding earlier content, some of which was forever lost, but often we didn’t know that we already had certain content and ended up reinventing the wheel. For instance, a marketer once suggested that we should record video testimonials from some customers to add to our website. They started working to line up some customers to create videos. I heard about this effort and pointed them to two video testimonials from customers that we already had. We prevented duplicate effort, but only because I happened to overhear a conversation and had a long memory.

I’d like to say we got this problem solved and it helped us a ton moving forward. Nope. Never did. All we ever had was tens of thousands of shared files and a few internal blog entries listing stuff. Embarrassingly bad for a company our size. And CMS is much more than just your website content. It is all marketing content. And it’s making it easily available to sales as well as a resource for marketing.

This “can” always wait. But waiting makes the problem so much worse. Make your marketing department bring on and use a good CMS system from the start.

Our big marketing wins

We had 3½ successful campaigns that I’m especially proud of. The first were our fake and affiliate websites that I described above, which compared Windward to our competition with factual descriptions. For several years these were our second-best source of quality leads, after Google ads.

The second big success was hiring one of the review sites (Software Suggest) to do a detailed review of Windward and our main competitors. Such sites offer independent user reviews, like Yelp for software. They also wrote up talking points that marketing and sales could adopt, plus a document for the product development on the functionality of other products that we could consider adding. This included a giant comparison table with about 50 features down the left and 9 products across the top. That made it easy for our prospects to compare Windward to our competitors.

With the independent user reviews backing it up, that grid had credibility, and it boosted our SEO when people googled our competitors. On top of all that, all this content was great for our SEO.

For the third campaign I got my hands on 2,000 old 8” floppies. We got mailing lists of prospects and mailed the floppies along with a letter asking if the floppy had earned us a five-minute phone call. The first two lists we sent them to worked well. We got some good prospects out of it, and some of them turned into customers.

It was amazing in terms of getting someone on the phone—about a 20% success rate in getting recipients to talk to us. They so loved the floppies that they were willing to give us some time in return, and a chunk of those did have a need for our product. Why did it work? Because it was history, from the very beginning of the PC.

The next list we tried, alas, was crap, filled with inappropriate leads like a dentist. Then our marketing team talked to the list vendor and tried the same campaign with two more lists, which also failed. I think part of the problem was that this had been my idea, and therefore the marketing team was not fired up to make it a success. I doubt there was intentional sabotage, just a lack of enthusiasm for making the most of the idea. Their hearts weren’t in it, so perhaps they stopped putting in the substantial work required to make those later mailings effective. When people don’t like a campaign, they’re looking for excuses to stop it, not trying to figure out how to turn it back to success again. I sometimes think I should have waited a year and had them try again.

And the half win? My youngest daughter asked me to organize a programming competition at her college (Harvey Mudd). For those of you without teenage daughters, once your daughters hit puberty you pretty much become superfluous as a dad. So when there was something I could do, it was drop everything and jump on this.

It was a lot of work creating the code for a computer game, where the players would have to write their own AI to control one of the units in the game. It worked and was really cool. Because of the effort involved, I reached out to other colleges to invite them to participate, and we ended up with 25 of the top computer science schools in the country competing in the Windward Code War. I went to Mudd to administer the competition on a Saturday, and the students loved it. I had students thanking me, saying it was their best day at school. Needless to say, it all made me very happy.

We continued to sponsor the Windward Code War for three more years, only stopping because these “hackathons” were becoming so common that it was impossible to get schools to sign up. That was too bad, because the Windward Code War was different from a hackathon and always a blast. The live play of the finals had everyone screaming as they watched.

I rate this a half win as it’s built on a hope that all those students are likely to remember Windward fondly for years to come. Then when they’re tasked with finding a docgen solution, they will put us first on their list of contenders.

And if no one ever does? Well, everyone at Windward had fun putting it on and so it was a good morale-boosting experience.

Evaluating our marketing efforts

I look back on our marketing as a very mixed bag. We hired some good people and some great people. Among our nonexecutives, some were a fount of interesting ideas but had a hard time pursuing them to completion. Others were solid at implementing someone else's playbook, but lacked any creative instincts. And a few were good at both.

Aside from one good VP (Bob) and one disaster (Mia), all of our heads of marketing were … fine. But they all needed significant help to focus their efforts on goals that were truly important to the company. In hindsight, I wish I had been better at evaluating them on smart metrics instead of vanity metrics. And in two cases I wish we had parted ways with a VP sooner.

My other big regret is that it took me ten full years to realize that outbound marketing wasn't going to work for our kind of B2B product. With rare exceptions like that floppy disk mailing, our customers had to find us when they were seeking the kind of solutions we offered. They didn't want us knocking on their doors until they were ready to listen. I'm happy that we experimented with various outbound tactics, but we should have learned that lesson much faster. Ultimately Windward had good marketing compared to our peers, but it could have been even better.

So my primary marketing advice is to keep trying new things, and hire people who are willing to try new things and break out of their existing comfort zone. Then try to be clear-eyed and dispassionate about what tactics are or are not delivering ROI. When necessary, terminate campaigns, cut budgets, and fire people who care more about vanity metrics than about actually increasing the company's profitability.

Chapter 8—Sales: Will they sign on the dotted line?

> *“Sales are looking poor this month. But they’re looking good next month and amazing next quarter.” —Every sales rep we ever hired*

Carrying a Bag

A lot of people like to make fun of the salespeople in a company. And they are different in that everyone else measures themselves by the things they are producing. A salesperson measures themself by the dollars they close. That is different, but not as much as most people see it, because the money is also a measure of the goods they sold and that’s a thing produced.

Salespeople ask the question, “Has he carried a bag?” It means, has someone sold? If you have not sold, you’re then not part of the fraternity and so you can’t understand their world. And there’s truth to that.

At Windward I carried a bag (at times). In fact, there were times early on when I was the only salesperson at Windward. Every morning I’d open up SalesForce and start reaching out: first the emails and then the calls. Call after call after call. And you have to be so up and happy and optimistic on every bloody call.

When one went well that was such a high. Any small step forward was a time to bask in that for a half minute or so before the next call. And when quota was hit and there were days remaining in the month—life was wonderful.

I did the work and enjoyed the adrenaline rush of closing sales, but I hated it—except for those brief moments of triumph. Real salespeople, in contrast, love that process. They love the thrill of the chase, not just the close. Thank God there are people like that, because we need them. Any good salesperson has my respect and appreciation, because my experience taught me how hard their jobs are.

Learning the hard way

Sales was the weakest function within Windward, to such an extent that I almost didn't feel qualified to write this chapter. From start to finish, I struggled with how to hire and manage salespeople, how to hire and manage a VP of sales, and what approach to encourage our salespeople to take. Just about everything that could go wrong went wrong. So take everything in this chapter with a grain of salt, or maybe a truckload of salt. With that said, here are the key ideas I learned the hard way.

First, we spent close to ten years trying to find a way to succeed at outbound sales. During that same ten years, we tried to develop more sales via our existing customers, checking in regularly to see if we could grow more within a customer's team. We tried marketing campaigns, exhibiting at trade shows—all the standard outbound efforts.

All these efforts consistently failed.

For example, we once sent a sales engineer to help a new customer ramp up their use of our software, at their request. We told them that they wouldn't need that much help, but they insisted. By lunchtime on day two, they realized they had no more questions for our engineer, but since he was already there, they took him around to five other teams at the company to have him run demos of Windward. All those teams loved our software at first sight. They said they had never imagined that a product like ours existed, and it was much better than what they were using.

Based on these highly successful demos, and the strong endorsement of the team that was already our customer, guess how many of those other teams converted to become Windward customers? Zero! Nada! Why? As best as we could determine, until people need docgen they have zero interest in it. They have so little interest that they won't even remember a demo that charged them up two years earlier.

What makes a good head of sales?

As with the one marketing VP (Mia) whom we discussed in the previous chapter, we had some sales VPs who could easily qualify for "America's Worst Managers," along with others who were quite good. After a lot of trial and error in hiring, we finally found Donny, our last sales VP, who was very good. Donny hired an excellent, experienced outbound sales rep and had the sales team work several trade shows and other presentations. He collaborated closely with marketing to try other outreach avenues.

Every outbound avenue failed.

Maybe somewhere there's someone with the magic approach. But if so, the odds of ever finding them are basically zero. And I think the true answer is, there is no successful outbound route for a product like document generation. You have to wait until someone decides they need it, and then snag them.

Donny did improve our inbound effort. He made it a smoothly functioning machine where the salespeople and sales engineers worked smoothly as a team to first identify if someone was a good prospect, and then if they were, to move them forward to close.

There were a couple of additional steps I took after Donny left that got us to consistently making quota, but Donny did most of the work that got us to that point.

Hindsight is 20/20

As with my regrets about marketing in the previous chapter, my biggest advice about sales is easy to say but hard to do: Don't spend ten years trying variations of the same tactics. If something doesn't work after two or three different approaches, that's not a viable sales avenue for your particular product or market. It doesn't matter how much you think that sales tactic *should* work, or how many times you're willing to keep trying it over and over. Accept reality and move on.

In Windward's case, we should have accepted that there is no successful outbound sales strategy for a product like document generation. You have to wait until someone decides they need that kind of solution, and then snag them when they're exploring options. What we should have done, and finally did do, was focus on marketing strategies to make sure we were front and center wherever those prospects were looking for document generation solutions. Proactive selling wasn't the optimal strategy.

So we eventually changed the titles of all our salespeople from account executive to project manager. Their job was redefined as helping prospects evaluate Windward. This included guiding their evaluation process with a low-pressure approach. I even urged our project managers to tell prospects to look elsewhere if we weren't a good fit for their needs. We considered them salespeople, because at the end of the day we expected our project managers to ask for that check. But they understood this new approach, and they liked it.

What follows are a few more useful lessons gleaned from hindsight.

Beware the government

Don't sell to a government agency, at any level. If they call you up and want to buy, sure. If they have a bit longer evaluation period than most of your prospects, okay. But reading their RFPs, submitting endless paperwork, going to government events for potential suppliers, coming in to run demos at a small business outreach … it's usually going to be a total waste of time.

We had independent software vendors (ISVs) as customers that in turn sold our product to government agencies, which made the process much easier. The ISVs told us that an 18-month sales cycle is actually fast for the public sector. So sell to those ISVs as a middleman, and let them go through the pain and suffering of selling to the government. Trying to sell directly will just make you miserable.

Beware of discounting

Windward didn't discount to any customers, beyond our set discounts for ISVs, resellers, etc. The other exception was our discount schedule for high volume purchases (based on the current order, not projected future orders.[72]). We also made some rare exceptions for great customers who had been with us for many years and had bought a lot of product year over year.

But for a new customer showing up, no discounts. That sometimes led to a hard discussion early on. But then that discussion was over, and a good precedent had been set for the future. In contrast, if you discount on someone's first purchase, they will ask

[72] Everyone promises that in the future they'll have gigantic purchases. Everyone.

for further reductions every time they come back. That will waste the time of your sales team—and every additional day that closing is delayed is an additional day when things can go south. Take the pain of a single hard conversation to avoid a lot of future pain.

In addition, discounting puts you into a negotiation where you're selling mainly on price rather than value. That's a much harder sale because a competitor can always come in at a slightly lower price. And the prospect can easily lose sight of how amazing your product is, and feel thereby less compelled to have it.

Did we lose sales because of this policy? Yes, a few. But the financial losses were much less than the total loss of widespread discounting would have been. And there's not even one lost customer whom I regret losing, because they cared more about discounting than the quality of our product. That kind of customer is likely to be very difficult in every way.

If you get asked for a discount, I suggest two responses that will usually shut down the prospect's hesitation. First, tell them you haven't discounted for any previous customer, and it would be unfair to all of them to start now. That appeal to fairness will often work—but not always.[73]

If they keep pushing after that, try asking if they are familiar with the tragedy of the commons. Chances are that they won't be, so explain that it means you can't discount to just them; discounting means you open the floodgates and have to negotiate with everyone. That will usually leave them floundering for a counter argument.

When a prospect's main complaint is price, you've got them. At that point they

[73] I had a lovely purchasing person at a state agency reply that "I don't give a fuck about your other customers."

already see the value in your product, and they know you'll give them the best solution to their problem. Now it's time to close—without caving in on a discount.

It will be rare for you to lose a prospect at this point; I can only recall three in ten years, because that kind of late-stage loss was so rare. In those cases you've probably dodged a bullet anyway. With that kind of customer, every subsequent sale, every annual maintenance charge, every feature they "must have" will be a giant conflict. Life is too short to be that miserable over a customer.

Bad customers try to screw their vendors out of every last cent—you don't want them. Good customers, in contrast, will want to be in a partnership with you and get what they need from you, and they will be happy to compensate you fairly for the value you're providing.

Beware excessive demands after the sale closes

The same is true about bad customers after the sale closes. For instance, we had some customers who would ask for changes to our standard license agreement. We put in a lot of work early on, including talking with lawyers for our earliest customers, to come up with a fair and balanced license agreement. Asking us to change it for no good reason could turn the relationship sour.

Granted, sometimes a customer did have a good reason for requesting a change. Sometimes a governmental agency had legal requirements for some wording. We did work out some special amendments to our agreement in those situations.

But more commonly, we had a few customers that wanted an incredibly one-sided agreement, where if anything went wrong they could put all the blame on us and kill Windward with huge damages. Our response was to ask if they would still want to be buying from us if any of our other customers had that clause in their contracts, putting us at risk.

Sometimes it would come down to simply saying no and daring them to walk away. It can be a powerful move to say “We’re done haggling, and here are our final terms; take it or leave it.” We never lost a single deal by calling a prospect’s bluff in a negotiation. Sometimes there would be one more call with a request for one final change to the terms, but never a lost deal. If the prospect really needs your product, ultimately that’s all that matters.

I think we surprised some of our customers by not caving in to such tactics. I talked to a lot of attorneys at very large companies who were not at all used to a small business telling them, “These are the terms of sale; take it or leave it.” For us, at least, it always worked. (This is not legal advice!)

The turnaround

After 12 years of struggling continuously with sales, we ended up having three strong final years, after we finally had a winning combination of the right people and a smart sales strategy. It took us way too long to get there—to a large extent because of my own cluelessness (and sales VPs who never questioned if outbound could work)—but we finally did figure out what worked best for Windward.

Paradoxically, we ended up doing better than ever at sales when we chose to be much less proactive in trying to sell. We gave up on outbound sales calls. We stopped sending our reps to various trade shows. We laid off Donny (our final VP of sales)[74] and I temporarily took over managing the department. We laid off our outbound salespeople[75] and renamed the inbound salespeople “project managers” to field incoming requests from prospects, as well as “sales engineers” to run demos and explain technical details.

I also did something that every VPs of sales, and every outside expert I consulted, told me was completely impossible. I reduced the base pay for the salespeople while increasing their bonuses for making quota. If you made quota, you got the same net compensation as under the old system, but if you missed quota, you got a lot less.[76] Though several people warned me that everyone would quit over that change, everyone actually stayed. And they started making quota reliably—quarter after quarter after quarter. That had never happened before.

Was the turnaround due to the compensation change, the consultant I brought in, or the shift to focusing solely on incoming prospects? Probably some combination of all three, plus other X factors. I didn’t care too much what triggered the turnaround. The important thing was that after 12 years of getting it wrong, we had three years with our sales department consistently hitting its targets. And as results improved, their morale went up. High morale then drove further success, in a virtuous circle.

So don’t get too discouraged if your sales function starts out mediocre. Keep in mind that you can learn through trial and error and go from mediocre to competent. A

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[74] He was perfectly good at his job, it was just a role we no longer needed.
[75] Ditto!
[76] This change came with plenty of advance notice, when their contracts were renewed.

competent sales team is probably sufficient, if your company can rock in other areas.

But competent may also be a stepping-stone to really good, and maybe even to great.

PART III — MANAGING THE BEAST

Chapter 9—Aligning: Getting everyone to embrace the goals, culture, and values

> *"So often people are working hard at the wrong thing. Working on the right thing is probably more important than working hard." —Caterina Fake, founder, Flickr*

> *"A team aligned behind a vision will move mountains. Sell them on your road map and don't compromise—care about the details, the fit and finish." —Kevin Rose, founder, Digg*

Having great goals, strategy, culture, and values is useless if your employees are not on board with them and living them. This requires significant and ongoing effort to create and refine those key elements, and constant effort to explain them and get employees to not just accept, but embrace them. This chapter focuses on that process.

Tightly aligned, loosely coupled

Most companies are what I call loosely aligned and tightly coupled. This means that almost no one knows exactly how their own work ties into the rest of the company, but they know exactly what they are supposed to do. In these companies there are many middle managers whose primary job is to make sure that all the different efforts are connected toward the overall goal.

At Windward we tried to be the opposite: tightly aligned but loosely coupled. We eliminated most middle-management processes (though you still need some) eliminating telling everyone exactly what to do and making sure the various parts fit together. Instead, we put in a lot of effort to make sure everyone knew where the whole company was going, and why. Then we expected them to figure out how best to accomplish their part of the effort.

To achieve this kind of culture, you first have to hire the kind of employees who can make it work. They need to be smart, motivated, and eager to work cooperatively rather than independently. They need to bring a teamwork mindset to the million little decisions they each make during the day, and the million conversations that enable their own work to mesh with everyone else's work.

Once you have those people, it will take work to align them around this mindset. You have to present the company's goals for the next week, month, quarter, and year, and explain why all those goals were set. That will give everyone a much better understanding of why accomplishing each goal really matters.

And, critically, you need to explicitly put this requirement to understand on the employees. We would tell them that it was their responsibility to understand the goals and the *why* behind them. If they didn't, they were required to ask for more detail. And if they saw a problem, it was their responsibility to flag that problem to the appropriate people.

During various presentations on our strategy, and review of OKRs (Objectives and Key Results—see Chapter 10) during monthly one-on-one review sessions with each employee, they were asked if there was anything in the strategy, departmental OKRs, or their specific goals that they did not understand. If they still didn't understand how their daily work fit into the big picture of what we were trying to achieve, and why, their manager was obligated to keep explaining until everyone got it.

To repeat, because this is so critical: while you have a responsibility to explain, make it clear that they have a responsibility to understand, and act accordingly.

After the staff reduction

As we saw in Chapter 8, when I concluded that our outbound sales strategy was not going to work, I had to lay people off—not only the people directly focused on outbound sales, but also a few whom we should have let go sooner. These were people who spent more time complaining than working and only saw the negative in everything.

It was also hard for the outbound-focused people to be totally on board with our strategy, and even our culture, when the outbound effort was failing. Understandably, working hard and not succeeding is not only demotivating but it makes you question everything about the company—including the strategy and culture.

Because some level of demotivation and questioning was reasonable when the outbound strategy as a whole was failing, several of the employees we retained were in that demotivated or questioning group. These people had tried their best throughout, so we found positions for them after closing down outbound sales. And everyone we kept turned back into an A player.

With one exception, everyone affected by the layoff was professional about working the final two weeks to get their projects handed over or wrapped up. We paid them for several additional weeks afterwards as severance, based on time at the company, to ease the transition.

After that difficult transition, things started running a lot more smoothly and effectively. Sales consistently hit their quotas for the first time ever; marketing increased lead generation, product development and quality assurance improved further. I give much of the credit to now having everyone aligned on a successful strategy**,** which dramatically increased effective efforts.

Nothing major had changed, other than stopping efforts that were failing and letting go of people who were not on board with our core values and strategy and/or were no longer needed for the shift away from outbound sales. Yet these relatively minor changes led to significant improvements across the board.

To repeat, we reduced head count, dropped some marketing and sales efforts, and sales went up. We didn't start anything new, we just focused on what was already working.

An additional change that made a big difference was hiring Jim as the new VP of development. He was all in on leveraging the power of a clear strategy, core values, etc. There is a world of difference between merely following these as guidelines and making full, active use of them. For example, when one of us (usually me) would propose efforts that did not match our strategy, he would point out that we needed to either adjust the strategy or the effort to have alignment. At other times he would propose either new products or actions we should take as a company to better achieve our goals and strategy.

The Windward Hub product, which was a growing success at the time we sold the company, was fundamentally Jim's idea. But it came from the discussions we had around our goals and strategy, and what we should be doing product-wise. By developing this new offering in line with our strategy, it made for a really good product that our customers started buying right away.

Keep in mind that having executives like Jim and Margarita, who will hold you to your goals and strategy, is a royal PITA at times. It forces you to think things through, to defend them, to be aligned with your strategy. This is not always fun, but boy, is it powerful.

How to kill alignment

I would often repeat a Special Forces principle: “Argue on the way in, salute on the way out.” I told everyone that we should have major discussions on our strategy, goals, OKRs, and so on, and I hoped everyone would be passionate about expressing their opinions during those discussions. But then when an issue was decided, I expected them to run with that decision even if they still privately disagreed with it.

It’s critical that the executive team be on board with the strategy, own it, and fully support it going forward. When they aren’t it inevitably hurts the company. In our case it impacted productivity and everyone’s belief in our route to success.

In addition, lack of alignment makes everything a lot more political. When there are several members of the executive team agreeing with each other that parts of the strategy and/or core values are wrong, and they focus on constantly trying to change the company’s path, politics will creep into every discussion, every decision, and almost every conversation.

The disconnect will also affect all of that department’s team. How hard are people going to work to achieve goals that their immediate boss clearly believes are not going to be very impactful or effective? How hard are people going to work on tasks directed by their boss that are at odds with the company strategy? Executives who steer their people in opposition to the strategy often think they are helping the company, but they are, by definition, causing damage.

For example, as we saw in Chapter 7, we had an innovative outbound marketing campaign that mailed prospects an 8” floppy disk, followed by a call from a sales rep. We generated some real success with this. However, the VP of Marketing at that time did not believe in this approach. His disapproval filtered down to the people in marketing implementing it, some of whom came to agree with him. And suddenly, the campaign stopped working. The excuses I heard were that the subsequent contact lists were garbage, that sales didn’t put in the follow-up—the excuses went on and on.

The end result was the campaign failed. Maybe it would have anyway, but that Debbie Downer view of it guaranteed it would fail.

VP of People

Over the history of Windward, quite a few executives we hired did not believe in me (or sometimes Shirley) as CEO. Many were dismissive of our core values, grudgingly going along with them but not seeing their true power. Many paid little attention to our strategy. Many viewed me as wrong for the company and out of my depth. These doubts manifested in various ways.

When I returned as CEO the second time, I decided to make a critical new hire: VP of people. Windward was now large enough that it was time to have someone managing HR issues full time, and I wanted an expert to help guide me on how best to handle people. So I hired Emma,[77] who came with substantial HR experience. She brought us a lot of good practices around both recruiting and retention. Part of her mandate was being the point person for anyone who had complaints or concerns about

[77] Not her real name

the work environment at Windward.

Being a complaint sounding board is tricky. On the positive side, bringing issues that bother employees to the attention of the CEO and executive team can add significant value. Emma could also help employees address their issues, or talk them through understanding and (hopefully) accepting things they didn't like.

But her role could also be harmful, such as when employee complaints that she heard and validated to the employee were something we were not going to change. And validating the gripes of multiple people gave them an incentive to vent to each other. Intentionally or not, she enabled a faction of the company to become very political.

Complaining about the CEO and the executive team is popular at every company. It's human nature to expect the bosses to handle everything perfectly. But when that complaining is validated and even encouraged by an executive, it's very destructive. It was even worse that she encouraged it in some of the executive team. In addition, it was below the surface and hard to recognize at first, much less address. I was especially frustrated that the person I was depending on to help me address issues like this was making them worse.

Emma was not only not helping us reach success, but was pointing us toward failure.

The Titanic meets the iceberg

Emma talked me into approving a company-wide gripe meeting about my performance, without me present, to facilitate open discussion. To put it bluntly, it was a fucking disaster. Not because people were discussing my specific mistakes, but because the session became open season on our long-established strategy, culture, and values.

Fundamentally, the complaints were that we were facing a lot of challenges, a lot of what we tried was not working, and a lot of that was due to me and my decisions. In several cases people disagreed with the goals they were given and felt that those goals were unrealistic.

And there was some fundamental disagreement with our core values. Some didn't like the swear words in them. Some complained that they didn't make sense or weren't clear, or simply didn't represent what they thought we should be as a company.

I suspect Emma and her circle were trying to pressure me to resign as CEO. After the meeting was held on a Friday afternoon, Emma typed up a report on what was said, then took off for a previously planned vacation week off. While I agreed with some reasonable issues raised by that report, the crux of it was that I was the company's biggest problem. It said bluntly that people did not respect my decision-making or management style.

I know I'm not perfect, and I would not have been brokenhearted to return to being CTO instead of CEO. But as I read and reread the report that weekend, I saw people who had no idea how to run a company imagining some alternate, fantasy universe. They assumed that some other CEO would solve all our sales and marketing problems and make their jobs easy and stress-free. It seemed like a comically (or tragically) simplistic way to look at any company.

I was in a real quandary. The person I'd hired specifically to help me with people issues was making our people issues much worse. On the other hand, I was still in the early stages of getting a feeling for being the CEO and how best to execute the job. What if I really wasn't good at this?

That Monday, several employees came to me to say how uncomfortable they were at the "anti-Dave" meeting[78]. They felt like just a few people had complaints, but Emma had tried to get others to join in via peer pressure. I then checked with some others whose judgement I highly value, who were also very uncomfortable with how the meeting unfolded. I also asked a few other trusted CEOs for their opinion and that of their VPs of HR. The consensus from them was that setting up an open season pile-on was grossly inappropriate, and would have been grounds for a lawsuit if done to any employee other than the CEO.

So I called a company meeting to address the mess. I apologized for approving Emma's meeting and for the discomfort it caused many. I spoke to the smaller items raised in her report, which we would look into. On some of the bigger concerns relating to our culture, I reminded everyone that they were always welcome to come talk to me one-on-one, as many already had.

As for whether or not I was a competent CEO, I tried not to sound too defensive. I said that I wasn't going anywhere because the board believed in me, our sales were improving, and the problems we were facing in the market had no fast or easy solutions, regardless of who was CEO.

When Emma came back from vacation, I was prepared to try to work out our differences, which would have been a mistake. Fortunately, as soon as she heard about my follow-up company meeting, she quit. I should have fired her sooner, because she caused a lot of damage by attempting to get our entire culture out of alignment.

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[78] Their description of the meeting, not mine.

Cleanup on Aisle 7

Even after Emma quit, the damage she left behind was gigantic and lingering. It was now clear that we still had two extremely negative people (Emma's inner circle of discontent) who continued to try to turn others against me. Since they had been encouraged to vent, I felt that I couldn't fire them; how would it look to everyone else if vocal complainers were simply fired?

So the whispered complaining about my alleged incompetence continued among a subset of employees. For a while, even our executive team meetings and strategy discussions were more conflict-ridden and less collaborative. Everyone seemed to feel less required to live by our core values and adhere to our core strategy.

It also meant it was okay to not believe in me. It is incredibly damaging to the company if employees don't believe in the CEO, or even just believe less in the CEO. Especially if exec team members believe less: they will show less buy-in for the process and goals you have set, and that harms the company.

This is even more critical when you are struggling to find your way on major issues. We were fighting to be successful at outbound sales and marketing. If you think the CEO isn't the one to lead on solving that issue, how hard are you going to work to resolve it?

And again, that group bitching session meant that having those complaints and doubts was suddenly an approved point of view—that people were encouraged to question the competence of the CEO. To be successful you need people who believe in you, especially the exec team. They can and should disagree with you, argue with you, and tell you that you're wrong at times. But after all that, they need to believe in you.

On the good news side, I made a big new step toward handling things in the way

I thought made sense—listening to others but then trusting my gut for the final decision. No more assuming that because of my autism others must know better, so I should follow their advice regardless of my gut.

One interesting postscript is that we gave every executive stock options, but of all the ones who quit or were fired, only one exercised them to acquire equity in Windward. The rest clearly did not believe in the company, or me. It was their loss when we were ultimately acquired—a big, big loss[79].

The two big problems

A couple of weeks later, I had a previously scheduled one-on-one review meeting with one of the two giant complainers, who reported to me. She demanded a big raise and a change in her responsibilities. I explained that there were several aspects of her work that she needed to improve on before we could even consider a raise. She replied that in that case, she was going to start looking for a better job.

If anyone ever tells you this, fire them immediately. Give two weeks' severance if you think that's appropriate, but have them clean out their desk and leave the building within five minutes. Because I failed to do that in this case, this person became an even louder and more extreme source of complaint and cynicism. We would have been better off leaving her role vacant until we found someone who wasn't actively undermining the company. Instead, we waited several weeks until she resigned.

The other ringleader of the complainers was a harder decision, because he was

[79] Yes, that makes me smile.

excellent at his job and his manager didn’t want to fire him. But whenever the executive team made a decision that ran counter to his advice, he was loud about how dumb it was not to follow his brilliant advice. He never said anything so outrageous that it warranted immediate dismissal, but he unleashed an unending stream of negative comments, which increased rather than slowing when we asked him to dial it down. I finally decided enough was enough and fired him—much later than I should have.

I don’t care if you have an employee who’s about to cure cancer; if they’re a source of poison in the company, you need to fire them. Immediately. Otherwise they will dilute everyone’s focus on the core values, on the strategy, on their direct goals, and on their belief in the company.

Selling your decisions

If employees buy into your logic and understand the tradeoffs for major decisions, they will likely be all in. But that process has to include listening—sincerely and publicly—to their concerns. Lay out the issues, dilemmas, and problems at hand, then ask for input from everyone, then hold your tongue while people respond. You might end up with a solution better than you ever could have found just by talking with your executive team.

In some wonderful cases, the group will lean toward the same decision that you were privately leaning toward. At that point you can say that everyone’s feedback was very helpful, and we’ll proceed as the majority of the team recommends. This is the best outcome, as people will definitely own the decision going forward.

But when you must overrule the majority, you need to clear and unambiguous about why you didn’t defer to the employees. Many of them may not like it, but they’ll respect and follow your decision if you explain it well. Being gentle and vague so as not to hurt feelings will leave people confused and frustrated, and more likely to go their own way.

Make it clear that at this point you're not providing your logic for further argument, merely to show that you've thought the issue through, taking their feedback into account. This step will reassure people that your decisions aren't offhanded or arbitrary, and that you really did listen to their concerns.

Your job is not to make people happy; it's to make the best possible decisions for the company. For better or worse, every significant decision needs to be aimed at reaching the destination that you, as a founder, have in mind. Everything else has to be secondary.

Move fast, but not too fast. Often in our decision-making meetings I would say, "Let's sleep on it and if no one thinks of anything new by tomorrow, we'll do X." That worked well, because sometimes people, including me, would come up with a new idea overnight. Just be careful not to let "sleeping on it" delay a decision for a week, a month, or into infinity.

If you do wake up the next day and conclude that you came to the wrong conclusion, tell the appropriate people that you've realized you were wrong about the decision at hand. They won't think any less of you. In fact, they will respect you more and feel more aligned with the decision. They're not expecting perfection, but they crave a boss who displays a willingness to listen, learn, and admit mistakes. And never pretend that you were really in favor of another solution all along—that would just make you look dishonest and untrustworthy, not thoughtful and humble.

The respect continuum

For the longest time I didn't worry if employees believed in me. With my autism, I don't really care emotionally if anyone does. And the last thing I want is a bunch of yes-people telling me what I want to hear. That leads to failure.

But over time I came to realize that there is something fundamentally valuable in having employees who believe in you. They know you're imperfect, they know you'll make wrong decisions, but they also know that you will steer the ship through the storm and safely to the port.

This is critical for three reasons. First, because you need people to buy into the core values, strategy, OKRs, etc. And if the employees don't believe you'll make good decisions often enough, then they will not have faith in the goals.

Second, as CEO and especially if you're also the founder, you will be conflated with the company. I don't think it's possible to believe in any company yet not believe in its CEO, at least at a well-adjusted company. If an employee decides that the company will just have to outlast the CEO's incompetence, how hard is that employee going to work toward the CEO's goals?

And third, people want leadership that inspires them. Ideas are inspiring. Success is inspiring. Creating something cool is inspiring. But all are hard, if not impossible, without having a leader you believe in.

In some respects, your executive team will be the hardest to win over, because they're closely involved in determining the goals. They know it's a judgement call—one they may disagree with—that sets these goals. And they see most clearly and directly when your decisions are wrong.

Just as you need to fire any executive who won't disagree with you, you need to fire any executive who does not respect you. When you do, you need to make sure the other execs see it as an issue of disagreement over the direction of the company, not that they were argumentative over any specific topics. In the moment this kind of firing was always a very difficult judgement call. But in hindsight, every single time, I could see how the company was much better off with that individual gone.

Make it Happen

All of this is so important. The most brilliant strategy along with an amazing culture is not going to accomplish much if you don't have everyone aligned and focused in their efforts. This alignment is how you set up your company to execute.

When people disagree with your decisions, remind yourself that it's easy for others to sit on the sidelines and trash-talk your efforts, but incredibly hard to actually run a business, with so much on the line. Keep in mind that none of the cynics will probably ever even try to start their own company. And if they did lead a company, it would almost certainly fail. Believe in yourself.

Keep in mind that all your efforts to get people aligned, while very hard, are well worth the effort. Even harder, and equally important, is letting go of people who refuse to align themselves with the company's goals and values. You can't ignore either side of the alignment equation. The world's most brilliant strategy won't accomplish much if you don't have everyone aligned and focused in their efforts.

Through trial and error, I was able to get a critical mass of Windward's employees charged up and motivated to reach our goals. Your methods might end up being very different, but that's fine. If I can do it, so can you. As Oscar Wilde said, "Be yourself; everyone else is already taken."

Chapter 10—Developing people: They're everything

> *"If you are lucky enough to be someone's employer, then you have a moral obligation to make sure people do look forward to coming to work in the morning." —John Mackey, CEO of Whole Foods*

> *"One of our values is that you should be looking out for each other. Everyone should try to make the lives of everyone else who works here a little bit simpler." —Stewart Butterfield, CEO of Slack*

> *"Make sure everybody in the company has great opportunities, has a meaningful impact and is contributing to the good of society." —Larry Page, former CEO of Google*

You can work twice as effectively, or you can get everyone else to work twice as effectively. Guess which pays off better? This chapter is about growing your people's talents so they can contribute more value and build their emotional commitment to the company.

Admin to tech support

Beth was the best administrative assistant I ever had at Windward. One day she came to me and said she would like to transfer to our tech support department. Tech support was (as the name suggests) a technical job that required helping programmers access our API, as well as helping users correctly access their data. Beth didn't have any specific programming training, but she had been learning how to use Windward and had completed an online Python class—on her own time, without being asked to do so as part of her job.

I talked to her about what the tech support job entailed, and since she was still enthusiastic, I gave her a programming challenge: write a sample app in Python that called the Windward API. Not horribly hard, but not a trivial task either. I asked her to complete it in 30 days. And on day 29 she got it. She walked me through the code and clearly understood it all. There was one place where it was clear she didn't quite understand how best to use async calls, but I've seen average programmers with five years' experience make that same error. So she passed.

We moved Beth over to tech support, and she was happy. The tech support team was also happy because she was good at the job. The only one unhappy was me, because I had to find a new admin.

That's developing people. Strive to create an environment where people see an opportunity to make big improvements to their skills, and then take them.

Your role in helping people develop

A fundamental thing you need to understand about being CEO is that you don't succeed unless your employees succeed. The direct work product of the company has to come from them. Another way to look at it: if you work 10% harder, the result will be a bit more direct output. But if you can get all your employees to work 10% harder, you will end up with 10x or 50x or 100x additional output than your own individual extra effort.

The flip side is that if you're currently working extra hard to make up for deficiencies in your employees, that's self-destructive and unsustainable. You're making it clear that you will accept lower standards from others, and you will then take on their responsibilities to meet your own high standards. Instead of covering for their deficiencies, you need to invest the time and effort to help them overcome those deficiencies.

One thing we did at Windward was require that everyone devote at least one week each year to training, preferably at a conference or class[80]. A lot of things at Windward were suggestions, but this was a requirement. Every manager was expected to ensure that employees who reported to them fulfilled this requirement.

Next, we took to heart the Gallup organization's research on high-performing and low-performing business organizations[81]. Their key recommendation is that training and coaching can lead to significant improvement in attributes people are already naturally good at, but it's extremely hard to effect much change in areas they suck at. Most businesses will send people to training for the skills they are worst at, but the usual result is frustration for all involved. You can't easily overcome innate weaknesses, such as trying to turn a shy math whiz into a charismatic, outgoing salesperson.

Instead, you need to encourage training in the areas people already excel in. Their brains are wired for those skills, which makes them primed to gain significant improvement from further training. In addition, they will be charged up by the training and grateful for it, because they will see clear and immediate improvement.

As for the skills that people suck at, you have to accept those deficiencies and move on. You may give them a different job that better fits their skills, or you may shift some of their responsibilities to other employees. Most often you just live with it, because we all have things we're not great at. And yes, if someone is bad at some skill

[80] When COVID hit we had them attend online conferences and classes.

[81] Best documented in the book *First, Break All the Rules*. Read it.

that's fundamental to their job, and you don't have a different opening that matches their strengths, you then have to let them go because training is not going to change that.

Manage around success, not failure

A huge choice for any manager is: are you going to reward success or punish failure? You can't really do both (though many try) because if you are punishing failure, people will focus on avoiding failure rather than pursuing success.

Now in some life-or-death endeavors, like building rocket ships, punishing failure might be the appropriate focus. But for most companies, rewarding success is much more productive. Yes, you'll probably have more failures, maybe even some big ones. But the successes you have by inspiring people to chase big goals will be far more spectacular, you'll have many more of them, and that will outweigh any additional failures.

In addition, you need every employee thinking through what is best to do in the million little decisions they make. What incentive do you want driving them in those decisions—making sure nothing goes wrong to avoid punishment, or pursuing big opportunities to win rewards for great success?

Focusing on success rather than failure affected how we managed every aspect of Windward. For instance, whenever we made a significant mistake, we did a post-mortem to figure out where we went wrong and how to avoid it the next time around. And we sometimes concluded that the cost of avoiding the same issue in the future wasn't worth it, so we didn't make any policy changes.

Another example: we sometimes had employees who never made mistakes because they were always playing it too safe. Unless they were in a role where the priority was minimizing mistakes (such as accounting or security), we would push them to take more risks.

With all that said, if a pattern of repeated mistakes shows that someone is not up to handling their job, then you do have to evaluate whether it makes sense to keep them. And if you do keep them, you'll have to decide whether you should change their role.

Lead by example in these situations. It's natural to want to yell at those who made a significant mistake. We all get frustrated and wish other people could be perfect.[82] But if you punish failure, others at the company will do the same, and you will soon have a culture of anger, yelling, blame-casting, and fear of failure. If you keep your emotions in check, other managers will be forced to follow your example and focus on rewarding success.

Equally important, when you screw up, you need to admit it—fully and completely. While I don't have a problem doing that[83], I know that many if not most people do. You have to force yourself. Otherwise, how can you expect others to admit their mistakes, learn from them, and move on, if you won't?

Once you learn to admit your mistakes and move on, you'll find that it's freeing. If you are keeping up a façade of perfection, you will always work in fear of making an obvious mistake that might tear down that façade. But if you openly acknowledge being imperfect, yet another mistake will have little impact on your reputation within the company.

[82] News flash: you're not perfect either.
[83] One of the advantages of autism

Finally, here's a small but powerful suggestion: give your opinion last in meetings. Ideally, start by asking for the opinion of the most junior person, then work your way up the food chain. This forces people to state their honest thoughts on the matter at hand, without knowing what you think. Statistically, a fair amount of the time they'll end up disagreeing with you. And when they see that nothing bad will result from that disagreement, they will get comfortable with stating their own opinion.

Also, if someone expresses an opinion identical to yours, instead of saying that they match your position, try saying that their case was so compelling that you're now in agreement. Don't do this all the time because then it would become obvious, but occasionally it can give someone else a real morale boost. Other times you can say something like "I agree with John and Suzi" without indicating where you stood before the meeting began.

Employee Responsibilities

As with many subjects in this book, while you have huge responsibilities as a CEO or executive, there are also responsibilities you need to put on the shoulders of your employees. Old-fashioned command-and-control management is incredibly ineffective. It's much better to empower employees to make as many decisions as possible. And that means you must make clear they must accept their responsibilities that come as part of empowerment.

So make it clear that all employees are expected to work without supervision, to make good decisions, to collaborate with others when appropriate, and to ask for help when needed. You can set up the company that way, but employees need to buy into their responsibility. Make it clear that if they don't take charge, no one else will do it for them.

One of those responsibilities is owning their own professional development. It's on them to find the right conferences or classes to hone their skills. It's also on them to develop well-thought-out opinions, back them up with evidence, and speak up.

We occasionally had people who were not comfortable with this responsibility, or who were flat out unable to work this way. We had to let people like that go, because it's too hard for people to change a longstanding mindset of passivity and lack of responsibility.

Fundamentally this is all built on trust—which goes both ways. You're trusting the employees to work well in this environment. The employees are trusting you to understand that they won't be perfect.

One thing that helped a lot was using the peer recognition tool in 7 Geese (a well-designed product to manage OKRs and teams). The software made it easy for employees to recognize each other for outstanding efforts, in real time. Then at the monthly company meeting, I would tell everyone about the six best recognitions of the month, and how they contributed to our success. And one month, instead of announcing the six best recommendations, I recognized the people who posted the most recognitions of their peers, so they also got public credit.

Finally, just as you have to earn the respect of the employees, it's on every employee, especially the executive team, to earn the respect of those they lead. Respect is not handed to people, it's earned. We all have to work to earn it.

Right person, right job

Several years after we started Windward, the board told me that the company was now big enough that I could no longer double as both CEO and CTO, and they wanted me to give up the CEO role. That was a gut punch at the time, but I later saw that they were right. So Shirley came on as our CEO for the next five and a half years.

Eventually, Shirley realized that while her first four and a half years as CEO had been great, she had then hit a wall. Why exactly did she hit a wall? We both have a few theories, but the bottom line is, we don’t know why. But she did see that change was needed and accountability required a new CEO.

She then handed the CEO job back to me. I wasn’t wild about taking it back, as I was enjoying focusing on development. But she was right, and it was a great example to the company that accountability starts at the top.

It’s incredibly important to put the right person in the right job. For instance, we once had an intern applicant who did not do well enough on the programming test for us to make an offer for a development internship. But he presented his work so well that it struck me that he might make a good product manager. So we brought him on for that internship instead, and the role fit his skills and personality perfectly. Within just a couple of years of joining us full-time, he was one of the most incredible product managers I have ever worked with.

I had another employee who was a struggling salesperson, but his shortcomings in that role (too technical, wouldn’t push back) would be advantages as a sales engineer. So I brought him back as a sales engineer, and he was incredibly good and uniquely effective in many respects.

With numerous employees I would load them up with more and more responsibilities, pushing them to accomplish things they thought they were incapable of doing. Some of them almost quit from the pressure—until they saw that they were pulling it off and could do it. And in each case, it was because we put someone in a job that was well suited for their strengths.

Watch out for people who have impostor syndrome. When I saw signs of that, I would tell them straight up that I thought they had it and point them to a couple of good articles on it. Then I would tell them that they didn't have to worry about not being up to the job, because if that were true, I would tell them. In the meantime, we trusted them to do the work and believed they were good at it. That generally worked.

Who cares if the CEO is Happy?

One mantra that I'd repeat over and over to all the employees: "I don't care if you make me happy; I care that I appreciate you." And then whenever someone would tell me about some problem I didn't want to hear about, I'd end the discussion by saying, "I'm not happy but boy, do I appreciate you," or something along those lines.

In general, employees desperately want to make you, the CEO, happy. You can pretend to be just another member of the team, but you're not. As the CEO you have the power to take their jobs and wreck their careers, and you represent the company itself. So of course everyone will keep a close eye on your level of happiness.

In response, you have to make it clear, again and again, that your happiness is irrelevant, and people should focus on doing the right thing / best thing for the company. That means they should feel comfortable telling you things you don't *want* to hear but *need* to hear. They might still only tell you bad news about a quarter of the time, but that beats never.

One example: about once every three months at Windward, En-jay and Tomas[84] would come into my office, and I knew they were going to tell me something I had done wrong. I'd get a feeling of dread and the urge to say immediately, "Whatever it is, we'll do as you suggest." They usually had a good point. But years later, after the company sold, they both told me they always had a knot in their stomachs when they came in. So all three of us were miserable in those meetings … but they always brought very good points that we needed to address.

Dealing with change

Most employees will have a strong desire (even if subconscious) for you to be perfect. They'd love to have a CEO who is wise, fully understanding, and always taking the company in the right direction. After all, their jobs, income, happiness, and more are dependent on you, and they want reassurance that you will never steer the ship into the iceberg. Unfortunately, you can't deliver that kind of reassurance, and even trying will set you up for failure.

This is especially true at times when strategies or goals need to change. To start, they all want every change to be successful. Second, most people don't like change—even the kinds of changes people lobby for—because change is uncomfortable. One employee told me that he appreciated that we were transparent about what we were doing and how it was going, but he also disliked hearing that not all of our efforts were going perfectly.

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[84] Two amazing developers who started at Windward early on

This is part of developing your people, by helping them see the full picture of the company so they can participate in moving it forward. Understanding that the CEO is imperfect may be uncomfortable to people at times, but it makes them better able to participate in improving the company. Understanding the changes in process can also be uncomfortable, but with that understanding employees can make better decisions.

Tactics that help develop people

I'm ending this chapter with a few specific tactics that helped us develop people at Windward.

First: use Gallup's "Q12" questions to gauge how healthy each team is and how healthy the whole company is.[85] Keep in mind that no team or individual is going to score a perfect 12 out of 12. But the process will demonstrate areas for improvement when one or two items are weak across the board. Out of all the ways to measure the health of the company, with clear indications of how to fix problems, the Q12 is superior to anything else I've tried. We used it to survey all employees twice a year.

Second: use Objectives and Key Results (OKRs), ideally via a software product like 7 Geese. Some executives at Google have said if they could keep only OKRs, or only everything else and no OKRs, they would keep OKRs. They are that powerful because they get everyone focused on accomplishing the objectives that will move the company forward.

When we started Windward, we were told it would take us at least two or three

[85] Search for "Gallup Q12 Employee Engagement Survey"

years to get good at using OKRs. I figured that since we were so well-managed, we'd have it in six months, tops. But three years later, we were still working to get better at it. We found that we were moving and adapting so quickly, especially in marketing and product development, that individual OKRs rapidly became obsolete. So we did quarterly OKRs by department. They are very powerful, but if you use them you need to abide by them.

Third suggestion: require monthly one-on-one meetings between every employee and their manager. At Windward we didn't do yearly reviews, just the monthly ones. And a rule of thumb was that there should be no negative surprises in those meetings. A surprise meant that the manager wasn't communicating adequately at the time when an issue occurred.

Our managers asked two very valuable questions in those one-on-ones. First, "What change could we make so you would never leave?" This is a better way to ask what makes employees unhappy. And my favorite answer to that question, which I got a lot, was "I'm so busy I don't have time to think about that." The second question was, "What do you not understand about the department OKRs or company strategy, including the reasons for them?" Most of the time, people already had a solid understanding. But sometimes this question led to very valuable discussions. The question also made it clear our OKRs were important—how can someone best achieve an objective if they don't understand it?

Fourth suggestion: give raises on a standard yearly schedule. Do not leave it to "whenever," because that will make compensation much more political. Everyone will see that those who lobby effectively get immediate raises, while others are left to hang. The amount of the raise was generally discussed at the end of that month's one-on-one, and was based on what the person had accomplished over the entire year.

Fifth suggestion: teach something that you know well and consider important as an internal presentation or class. If you take the time to teach it yourself, you're sending a clear message that the subject is important, and more generally that ongoing training and development is very important.

For instance, I would teach a one-hour class for all new technical employees regardless of how many years of experience they had. It was titled "Want to be a Better Developer? Cheat." In this class I explained a few basic practices that helped programmers write better code faster. Everyone in product development, tech support, and the sales engineers were required to attend, but any other employees could also attend if they wanted to. The presentation stuck in people's minds because the CEO clearly found it important.

Take pride in what you accomplish

One of my greatest joys at Windward was seeing people grow to accomplish so much more than they could even dream of when they first came on board. That was one of the big things that made it gratifying to come to work every day. I took the most pride in cases where I pushed people beyond their comfort zones. They didn't always like it, even after achieving success. But those high expectations showed them how much more they were capable of, and I think that has served them well both at Windward and beyond.

I do hope that most employees look back on Windward as the most challenging and interesting job of their careers—where they learned more, grew more, and accomplished more than at any other job. For those who found that to be true, we fulfilled our responsibility to help them develop.

Chapter 11—Delegating and trusting: The keys to turbo-charging employees

> *"A hallmark of a healthy creative culture is that its people feel free to share ideas, opinions, and criticisms. Lack of candor, if unchecked, ultimately leads to dysfunctional environments" —Ed Catmull, cofounder of Pixar*

> *"I'm a large believer in hiring the right people and giving them unbelievable amounts of power and autonomy." —Blake Mycoskie, founder of Toms Shoes*

The power of delegating and trusting

Putting the onus on each employee to figure out their job and then accomplish it is incredibly powerful in terms of boosting morale and creativity. The downside is that there will inevitably be giant disasters along the way. The hardest part for you as a leader will be resisting the urge to put in guardrails when those disasters happen.

There are two key points in this chapter. The first is that you need to delegate as much as you can—decisions, priorities, approach. When done right, 99% of the time that the CEO makes a decision, it's because those responsible think it truly needs a final call by the CEO. The same is true for delegation by executives and other managers. You need a company-wide culture of delegating authority. And if you have an executive who does not delegate well, you need to push them to do so.

Equally important, though, is that your employees must be worthy of the trust you're putting on them. Delegating to people who aren't trustworthy leads to anarchy.

And I don't mean trustworthy in the usual meaning of the word, where if you dropped $100 they would tell you and return it. I mean that you can trust them to make decisions driven by the company's strategy, values, and goals, not by whatever they personally think the company's goals should be. You want people who will operate according to the core values, even when no one is watching them.

Making this part of your culture requires that you address any people issues with brutally honest communication—including encouraging people to tell you things that aren't pleasant to hear. They will rarely be comfortable doing so, but you have to make that kind of communication nonnegotiable. If you've delegated an issue to them, and properly resolving it requires that you be told some things you don't want to hear, they simply have to tell you or the whole system will fail. And you have to listen and thank them.

My way of phrasing it was, "I'm not happy, but boy, do I appreciate you." That kind of message makes people more comfortable about sharing bad news, which in turn will make you more comfortable about trusting them. The "I'm not happy" part of the statement, I think, is key to this. You're owning up to the fact this information is not what you wanted to hear, but you're praising them for bringing it to you anyway.

I've noticed that interns and new hires are often better at this than veteran employees, because young people haven't been traumatized (yet) by a "shoot the messenger" corporate culture. So when you tell them to deliver bad news, they do so. I worried sometimes that we were setting them up for future problems at other companies, where they would get roasted for delivering unwelcome news. But in the meantime, the practice worked well for Windward.

An example of delegation: due diligence for PDFTron

You may remember that I started this book with the day I received a buyout offer that was too good to refuse. If that ever happens to you, accepting the offer is just the start of the fun part: due diligence.[86] It's like the buyer giving your company a colonoscopy before the sale can be official, but it takes several months and is much more intense. The buyer wants to know everything—every last little detail—including a lot of things that the CEO alone can't possibly know.

During my first two or three due diligence calls with PDFTron, they asked a bunch of questions that I couldn't have answered with a gun to my head. After that, I opened up all future calls to the experts on each specific area of the company, which usually meant Shirley and/or Margarita, and often other department heads as well.

After a while, we started leaving me out of those due diligence calls completely, even though this was an incredibly important process that would determine the fate and financial future of every Windward employee. At least 95% of the time, the others could supply all the necessary details without my help.

I'm guessing PDFTron found it very weird when the CEO of their acquisition target stopped joining those calls. They definitely found it unusual. I took that as a sign that Windward was exceptional at delegating and decentralizing knowledge and control. We truly believed that delegating means giving someone else an area of responsibility and leaving them to run with it. And trusting means not watching over what they do from day to day, because you know they'll do it well.

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[86] It's not fun!

The only downside of delegating and trusting is that you may not be able to answer detailed questions about parts of your company. This doesn't mean I was clueless. I understood what was happening with enough detail to run the company. But it meant I did not have to invest time in overseeing what everyone was getting done, which was very powerful.

Where trust can go wrong

The big danger you face with delegation is that it gives people too much freedom to go off in their own directions. With an executive, going rogue can be especially damaging since they can misdirect their entire department. If someone disagrees on the company's fundamental goals, and you can't reassign them to another role that they do agree with, you generally have to let them go. Because the alternative, especially with a department head, is allowing the company to be pulled in opposing directions.

As an example, we once had a sales rep who was good, but who thought we should basically give away the software and then make money on professional services. He had been very successful with that approach at his previous companies. We found it impossible to get him to understand that we had made our program so easy to use, there was no need for professional services.

So this rep would suggest deals to prospects with a gigantic discount plus a large consulting commitment. We'd then have to undo his offer, explaining to the prospect that they didn't need any consulting, and therefore we couldn't discount. Some potential deals that we could have closed blew up because we looked like idiots. We eventually had to let that rep go.

Another way that trust can go off the rails is in personal time off. Windward adopted flexible PTO with no set number of days off, so people could take whatever they wanted. Most people continued to take about two weeks per year. A few took almost no time off, so we had to push them to take more for their own mental health.[87]

But a few abused the policy by taking a lot of time off, which really upset me. When I spoke to them about their excessive PTO, they would push back by saying it wasn't really flexible if I was keeping track with a secret definition of "too much." Technically speaking, that argument was true, but it was missing the bigger point. Abusing the PTO policy wasn't a big problem in itself, but it was an indicator of deeper problems—selfishness and lack of team spirit.

One of our execs pointed out that every time we had a problem with someone abusing their PTO, it was a problematic employee who complained all the time and tried to do as little work as possible. As these people hadn't bought into what we were trying to achieve, they were poisoning the rest of the company. So we started using the symptom of excess PTO to look at and address those bigger people problems.

Hiring people you can trust

One question I'd ask our managers after they interviewed a candidate was, "Is this person better than you?" Most would be thrown off the first time they heard the question, and often they would answer *no*. Then I'd say, "If they're not better than you, why do you want to hire someone who lowers our average?" Hiring someone better than you doesn't put you at risk; it raises the odds that we will all succeed.

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[87] I had two employees who, twice a year, I had to force to take off any week within the next three weeks.

And it wasn't just about skill-specific talent. I wanted everyone who hired people at Windward to keep raising the bar on trustworthiness. As we kept growing our head count, it became even more crucial to hire people we could delegate to without micromanagement or close supervision. The bigger you get, the more you have to focus on trustworthiness as a hiring benchmark.

You've got to be focused on getting people who can excel where a team has a weakness. You've got to hire people who raise the bar. And in that requirement, it means you are hiring people whom you can delegate to and will be trustworthy. Because central to that whole "are they better" is the question of can we trust them to accomplish what we give them?"

Part of this is seeking people who will constantly try new tactics and find new routes to success. This is crucial not just in marketing (as we saw) but across all departments, because there are always things we can do better. You also want people you can trust to *stop* pursuing efforts that aren't accomplishing much. As we've seen, ending a bad idea can be just as powerful as trying a new, good idea. Sometimes it's even more powerful.

Defined most broadly, a trustworthy employee or manager always strives to do what's best for the company, and that includes hiring subordinates who are more skilled than the boss. Managers who are afraid to hire brilliant people might as well be flashing a giant red warning light.

The art of delegating and trusting

The first key to delegating and trusting is to assign your biggest worries. Whatever issues are most troubling you, hand them off to others to resolve. If you can't force yourself to do that, it means you don't really trust your people yet. It's not on you to find and implement solutions; it's on you to ask the right questions and make sure problems get solved. You don't have to be the hero yourself.

In the process of assigning your worries, the example you set will have tremendous impact. Whenever you have to be involved in the implementation of a solution, collaborate generously. Try to suppress your ego so you can praise others for their contributions.

Equally important, hold yourself publicly accountable. It sucks to stand up and say, "I screwed up on this"—especially when it's unlikely anyone else would have called you out, so you had the option to let something slide. But being trustworthy means acknowledging your mistakes. And employees will feel safer acknowledging their own mistakes after they see your example.

Similarly, you have to be as authentic as possible. There will be aspects of your personality or how you approach work that are annoying or otherwise imperfect. But if you try to be someone else, or try to hide those imperfections, it won't work. And in making the attempt to hide, you will only expose yourself as not trustworthy.

Another key tactic: as much as possible, present evidence but do not mandate action. It's fine when you delegate and then pop in with some thoughts, if you are careful to not be overwhelming. But true delegating has to include leaving significant decisions to others. As such, all you get to do then is suggest. Yes, there will be extreme cases when you will need to intervene to make an important decision, but you should keep those to a minimum. Of course, if an executive you've delegated to consistently fails, or doesn't try new approaches, then you have the wrong person in the job. As it's their job on the line, it's their decision as to what to try.

Finally, keep in mind that even your best people will fail sometimes. It's fine to discuss how they can avoid the same mistakes the next time around. But do not beat them up over it. When you delegate, you are accepting that they will make mistakes at times. That's still better than having you make every significant decision—and probably making just as many or even more mistakes. Delegating should not mean more mistakes; it should mean different mistakes. So don't unleash any anger or punishments for an understandable mistake or failure.

Nudging people back to the big picture

Once you've successfully delegated key decisions and hired a staff full of trustworthy people, you're good—right? Nope. You still face another big challenge. People will get very focused on whatever work is at hand and will tend to forget about the big picture of the company's strategy, objectives, and core values. It's your responsibility to go over those again and again. A good rule of thumb is 7x7: to make sure a message sinks in, explain it seven times, in seven different ways. And focus on the *why*, much more than the *what* or the *how*. *Why* do we have this objective? *Why* is this core value important? You can also do the "ask why five times" trick to dive deeper and deeper into the why.

You have the primary responsibility for this. Everyone else, including your executive team, is focused on getting their work completed.

It helps to be passionate in these discussions. If you want the employees to live and die by your values and objectives, you have to show why you care so much about them. You have to be the role model for emotional commitment. And your passion needs to be all-encompassing, spanning the objectives, the culture, the product, the customers, and the employees themselves. Sell your passion for all of it.

At Windward we weaved this kind of passion into our monthly company-wide meeting. I would always pick one or two objectives or values to call out and dive into. Many of my weekly Monday-morning podcasts would also include discussion of the *why* behind an objective. I'd also write blog posts[88] on some of them, both for internal consumption and for any curious customers. We'd even have an occasional special company meeting focused on recent revisions to our strategy and goals, going into great detail on the *why* behind everything.

To avoid getting stale, you have to change up your messaging tactics. A couple of times for the podcast, Shirley and I used sock puppets to inject some humor. Once when we had a major change in strategy, we printed it up on large, heavy card stock and mailed it to everyone at home to get across how important the change was. Another time we held a challenge to see how many people could summarize our core value proposition. (Most could!)

Be careful not to try to drill in too many messages at once. I suggest sticking to just three details at a time, chosen from among your many objectives, strategic goals, and core values. Choose three very specific things—or else you'll start to lose the audience and they will only retain a fraction of your long list of talking points. It's much better for you to choose three details that will be remembered rather than 15 that will mostly be forgotten. And even then, you still need to use the 7x7 strategy.

Unfortunately, there are no shortcuts to making sure that your company's

[88] I found blog posts to be useless for marketing, but excellent for prospects wanting to know what kind of company they're considering partnering with.

decision-makers share—and consistently apply—your objectives, strategy, and core values. It's a never-ending task to get people to keep those key concepts in mind as they make the decisions that have been delegated to them.

Solving delegation problems

The biggest way that delegation can go wrong is when someone disagrees with the company's goals, and takes advantage of your assumption of their trustworthiness to go in their own direction. This is especially deadly if the person is a department head who will lead their whole team astray by undermining their belief in the company's direction. Even if the executive in question thinks they are helping the company — they're not. This response to being trusted is both counterproductive and unprofessional. Having everyone working together, even with a suboptimal strategy, is always more effective than having each team and department charting its own path.

Any executive who abuses your trust this way should be fired, after no more than a single warning. It's that serious—a sign that the person isn't qualified to hold a position at that level.

The second big way that delegation can go wrong is when someone resists making any decisions at all. Everyone complains about being overmanaged, but many are scared to death of having to make their own decisions and then being held accountable for their outcome. So they freeze and desperately try to guess what their boss would decide in each situation. They try to play mind reader instead of thinking for themselves.

We once had a new marketing person who would come to me with lots of questions because she was working on content that I understood well. I soon realized that she was consistently asking me for my opinion, then blindly doing whatever I suggested. So I told her that going forward I'd be happy to keep explaining things, but I would only give her my actual opinion twice per month. She so desperately wanted to save those two opinions for big challenges that she ended up never using them. Instead, she did quite well making her own decisions once she was forced to trust her own judgment.

The third big way delegation can go wrong is when someone makes consistently bad decisions but hates to admit error or defeat. For instance, about once a year a new hire showed signs of being a terrible fit within just a few days of starting at Windward. I don't mean competent people who got off to a slow start, but obvious hiring mistakes that would need to be undone ASAP. But instead of letting them go immediately and restarting the recruitment process, the managers involved (including me, twice), kept trying to make it work with the bad hires. We didn't want to admit our mistakes and repeat the whole agonizing process of finding and hiring replacements. Of course, our stubbornness only prolonged the pain of those situations.

I find that when someone resists admitting a mistake and taking steps to correct it, it may not be stubbornness. It may simply be the unpleasantness of having to cut their losses on a project and start over. In the frustration of the moment they might not be seeing things clearly, so it's part of your job as CEO to help them gain perspective.

The upside of getting delegation right.

Windward got so good at delegation that Shirley used to complain that I delegated too much. My half-joking response was, "Fine, from now on I'm delegating to you the job of worrying about whether I delegate too much."

Most of our managers also got enthusiastic about delegating, though it took us a while to weed out those that were not trustworthy. In fact, it took time for all of us to realize what trustworthiness truly entailed, and then figure out who fell too far short of our expectations. But year by year we all got better at it.

We saw a significant multiplier effect from everyone being at least okay with making the decisions they were entrusted with. Simply working in an environment where everyone knew they could trust each other added a lot to our productivity and success.

This impact was especially strong when COVID hit, and everyone switched to working at home. Because we were already used to trusting each other, the shift to remote work and much less direct supervision didn't throw us off our game. Despite the dramatic change in our work environment and rhythm of interactions, everyone got their jobs done. There was no need for managers to see their people at a desk to confirm that they were working.

If you're aggressive about delegating, the bad apples you shouldn't have hired will do more damage than they might have done under traditional supervision and command-and-control management. But your good hires will be so much more effective in a high-delegation company that they will vastly outweigh any problems caused by the bad apples.

Delegation requires constant, ongoing effort, even if you have great people from top to bottom. But I promise that all that effort is worth it. It will give you a company that significantly outperforms your competition.

Chapter 12—Metrics and accountability: You manage what you measure

> *"Anything that is measured and watched, improves." —Bob Parsons, founder of GoDaddy*

> *"When you're in a small boat, you can see who's paddling hard and who's looking around." —Ev Williams, cofounder of Twitter.*

The fundamental challenges of this chapter are straightforward, but God is in the details. First is figuring out what to measure—and the trick is to measure as little as possible. Second is knowing that everyone wants to look good, so you need to ensure that whatever you measure will make problems painfully obvious, not obfuscate them.

Lies, damn lies, and statistics

Early on at Windward, during our monthly marketing review meetings, the marketing team would bring statistics of the past month. They always showed a good increase over the previous month. But I eventually realized they were worthless because they were cherry-picked.

Due to statistical noise, all business metrics will bounce up and down from month to month, by as much as 6% in our case. So finding a metric that bounced up 4% to 6% last month was an easy way to show great progress. But the next month that metric, whatever it was, might go down 5%. Basically, the number was steady.

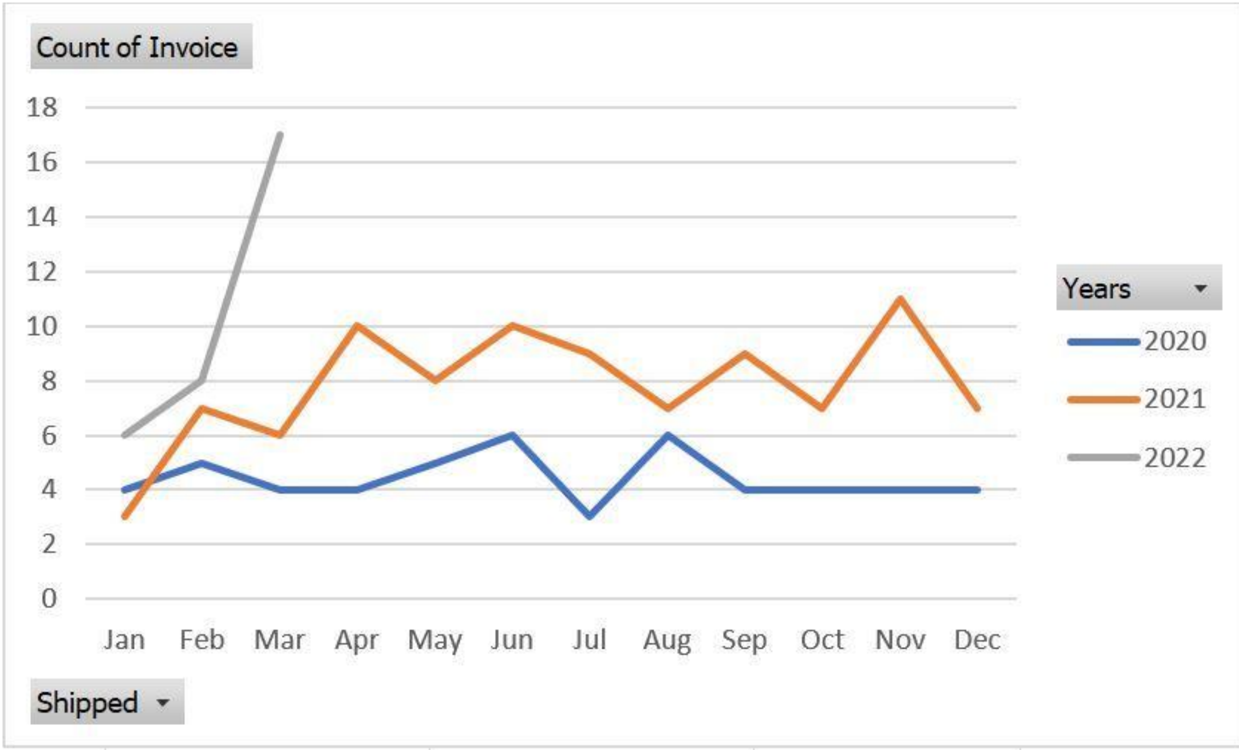
Even worse, many commonly used metrics are what I call "vanity numbers" that have no direct impact on a business. These include stats like the number of unique website visitors; people feel good when they go up, but they mean virtually nothing. There are a lot of vanity metrics in marketing, and in other departments as well. For instance, lots of development teams track and reward people for lines of code (LOC) written. By that measure, if I can implement a feature in 100 lines of code and a less efficient programmer requires 2,000 lines, that other person was 20 times more productive. It doesn't take a genius to find that metric absurd.

Windward's marketing team tried to measure their progress by the number of leads delivered to sales. But the big problem was that they made no distinction between quality leads and crappy leads. It's easy to get people to fill out a form in exchange for a compelling document, or to buy a list from a 3rd party list vendor. But if those aren't prospective customers, you're wasting everyone's time to boost a vanity metric. This is akin to opening a new coffee shop and having a marketing program that brings in wine drinkers—a waste of time and effort.

You manage what you measure

The old saying is true: you manage what you measure. If you have no accurate measurements, how on earth can you determine if someone is accomplishing anything? This does not mean you have to measure hourly effort, but you need clear metrics that make logical sense. They can be as basic as whether a salesperson made quota or as complex as measuring the quality of marketing's leads based on deal size, days to close, hours devoted to each sale, etc.

One rule of thumb is any metric tracked over time should generally be a chart with two lines on it: one line for the previous 12 months and the other line for the 12 months prior to that. This lets you differentiate between statistical noise versus actual trends up or down. That second line lets you see if movement is seasonal as opposed to changes due to your efforts. Here's an example:



Next is the slogan Keep It Simple, Stupid (KISS). Fundamentally, whatever you want to measure should be straightforward. A good example of a measure that is often structured via a horribly complex calculation—but doesn't have to be—is quality leads. If you own a coffee shop, a quality lead is someone who comes in for the first time and buys their first cup of coffee. But you can go crazy trying to calculate that person's impact if they become a regular customer, and tell their friends, and then those friends come in often, and then they tell their friends….

Simplify it. You can simply define a quality lead as someone who came in for that first coffee, liked it, then came back for a second one. So you only need to measure how many second-time customers you have. That's close enough to the complex measure in terms of raw number. It's more than sufficient to track change from month to month, and it's easy to measure.

Critical to all this is getting together with each of your direct reports to figure out what are the three to five key metrics you're going to measure that department by. Resist any temptation to list more than five (remember: KISS). I know some VCs and CEOs who swear by a max of three.

It becomes an interesting exercise to distill the measure of a department down to those numbers, and to ensure that the metrics will encourage useful efforts while discouraging number padding. What truly is the measure of the usefulness and effectiveness of a given department?

After you agree on the key metrics, every monthly departmental review has to start with a review of those three to five numbers—and only those. Discuss what's happening on each, what warning signs are visible, and what needs to change based on the current trends. Only, only, only once you've done that can you continue the meeting with other topics, programs, questions, or problems.

To make your measures truly useful, they must be taken seriously as the true measure of a department or business unit. As the leader, you have to set the example for taking them seriously.

Making it happen

So how do you make this all work? First off, you need to have a department review every month. I would do all departments on the same day, and it was a brutal day, but then it was done for the month. Other companies spread these meetings out so it's only one any given day. Whatever works for you.

This meeting is distinct from the monthly one-on-one you should have with the manager of each department. I would generally schedule the one-on-ones about a week after the department review, so they were discrete events. And when the manager of each department had their monthly one-on-ones with their own direct reports, they were also expected to focus on the key metrics. The measures work best if they are top of mind at all levels in the company.

We also did a quarterly business review (QBR) for each department about three weeks after the end of each quarter. This was a multihour event for each department, with the full executive team in attendance as we went through each department's results, as tracked by their key metrics and OKRs. We always tied those numbers back to the company's overall strategy. (In many companies this is only done for the sales department, but I found it very useful for all departments.)

On top of that, about three weeks before the start of each quarter, we had an executive team all-day offsite strategy meeting. We'd revisit our strategy for the next quarter and, in the December meeting, for the next year. Then we'd build the OKRs for each department for the upcoming quarter. And in the December meeting, the strategy and goals for the coming year.

In a nutshell: plan, execute, measure, review, repeat.

Responding when things go wrong

Whenever the metrics fall short, people will look for places to point fingers. *It's not my fault! I thought Mary*[89] *had this covered.* This can be a giant problem if you don't plan for shortfalls in advance.

First off, every task or responsibility should have a Directly Responsible

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[89] We never had an employee named Mary.

Individual (DRI). This practice was pioneered at Apple; I used to joke that it meant the designated person I would yell at if something wasn't accomplished or wasn't successful. (I didn't actually yell.) While the DRI is often so obvious that you don't need to officially assign it, often it's not obvious at all. In ambiguous situations, you will benefit greatly from making an explicit assignment of a DRI.

Second, as the boss, you must never take responsibility for someone else's work, good or bad. Never shield them from the consequences of being a DRI. This also means you can never be a key contributor toward their success. I violated this rule several times and it always ended badly—sometimes very badly.

For instance, once when our sales VP was struggling, I dove in to read several books about what went into running a successful sales team. Then I went to a conference/training session that took a couple of days. I learned a lot, which was helpful to understanding what one of our key executives needed to be doing. All good up to this point.

But then I took it too far. I sat down with the VP and went beyond setting an expectation of results. When I didn't see any changes in his activity, I started pushing him to make specific changes, in line with what I had just learned about sales management. To be fair, all the changes I pushed for were basic sales management 101, and to this day I can still say that they were good advice. The problem was that I had assumed his responsibility for the sales function. Going forward, when those changes failed to improve sales, who's fault was it? It was my fault, since I was directing the VP's focus and activities. And he happily turned this over to me because it was no longer him failing, it was me failing. He left it to me to determine what to do next, because he now felt no sense of responsibility for our new set of problems.

If you find yourself tempted to cross that line and take over for one of your executives—don't! Instead, realize that it's a giant sign that the executive you're looking to "help" in this way is not up to the job.

Looking back, I never once even thought of crossing that line with our A-level executives. With the B-level department heads, I was slightly tempted a few times. But with the C-level execs, I was constantly tempted to step in and take over. That should have been a clear sign to fire them rather than assuming their responsibilities.

With all that said, you can still be a contributor at times. I wrote code when I could, but whenever I did so it was clearly as a developer, and I answered to the VP of development and the product manager, just like any other developer. I also occasionally took on a marketing campaign, but again, it was as an individual contributor to the marketing team. In neither case were my contributions to those teams a sign that I was taking over managerial responsibility for them, nor were any mission-critical.

Building systems as you grow

A rule of thumb I heard somewhere that I found to be true is that a company's systems and processes need to change substantially every time the head count triples. Growing from 3 to 10 people[90] gives you essentially a whole new company, as does growing from 10 to 30, or from 30 to 100. For instance, I'd say that around 10 people is when you first need to implement OKRs, monthly department reviews, executive one-on-ones, and so on.

[90] I round to 10s so 3, 10, 30, 100, 300…

This is not a rigid rule; it's not that your current systems might be flowing smoothly at 29 people but a complex mess at 30. As you approach each milestone inflection point, take a good look at which of your systems are struggling to keep up with your growth. Then start planning ahead to see what you can do to change those specific systems or processes. Ideally, by the time you hit the next milestone, you will have already made the most essential changes. Then you can introduce other changes as you add a few more people.

With every new process you implement, you want the change to feel as little and as loose as possible. Not *too* little or loose; that won't be enough to improve the situation. But trying to change too much too fast will slow everyone down. So you need to find a Goldilocks level when revising your systems.

And whenever you implement a new process, you need to commit to it. Announcing a process that is then widely ignored will send a signal that people can ignore other processes that they don't like. If a new process can be ignored without consequences, everyone will be left wondering why you put it there in the first place. You personally must set the example. You don't get to have a clause in each process that says, "everyone must do X except for the CEO." That type of hypocrisy kills morale.

At Windward, we often felt like we were behind where we should have been on processes—but the outside experts I consulted almost always said we were ahead of most companies ten times our size. And that paid off in the long run. Disorganization can really drag down your effectiveness, even if you don't notice it from day to day. Make it a key goal to keep updating your systems as your size and needs evolve.

Process

A big part of ensuring good systems is making sure that key metrics are automatically pushed to you, without you having to ask for them. Any data you need regularly from others should be delivered to you, on schedule, with no need for you to remind people. You've got enough going on without having to ask every week for key data.

I had some A-level execs who had to be reminded at times, but most were really good at it. In general, great people are great at sharing their data on time, and weak people are bad at it, and average people are in the middle. It's not a firing offense if someone frequently needs to be reminded about reporting metrics, but it is a warning sign.

Another key to creating great systems is ranking your priorities ruthlessly. No manager at the company, including you, can be allowed to get away with saying that two or more metrics, goals, projects, or anything else are equally important. Doesn't matter if you want them all immediately, and desperately. You owe it to your people to give them a clear priority order. If you say two items are of equal priority, you're actually telling that employee that they get to rank those items.

Managing your executive team

I managed the executives loosely. That approach works great with the good ones, and it was never a problem with most of our executives. But it also allows marginal executives to bumble along. I should have had clearer measurements and objectives for executives, with a strict evaluation every six to twelve months. Then if they did well at those evaluations, I could back off. And if they did poorly, it would make me face the issue sooner.

Keep in mind that just because someone has the VP title, even if they've had it elsewhere, even if they've been successful elsewhere, does not mean they're good at their job. And while some are just poor or lazy performers, some are even worse than that: a one-person wrecking ball causing havoc not just in their department but throughout the company.

You need to give your executives freedom to do their job. But you also need to be very clear as to what you expect, and then measure them by your expectations. And set those expectations before they start; otherwise you'll end up grading them on a curve against their peers, rather than against your expectations.

<u>How we kept Windward on track via key metrics</u>

Here's the information system we evolved at Windward on a daily and weekly basis. This isn't the only way to do it, of course, but it worked for us.

- Almost every Monday morning I would release a brief podcast to the company, discussing the two or three issues I thought most worth bringing to everyone's attention.
- We implemented OKRs, first for both departments and individuals, then scaling them back to just departments. Crafting these OKRs was a negotiation between me and each executive, both on what was most important and what was achievable.
- We went over each department's three to five KPIs in a monthly one-on-one with the executive in charge.
- We required a monthly one-on-one between each manager and their direct

reports. This was our sole means of employee review, replacing any kind of annual performance review, and was meant to be a two-way discussion where both sides could raise any issue.

- We held a monthly full company meeting where each department presented their status, KPIs, and major items of interest. Then I'd address any issues of major impact for the company and whatever else I was focused on.
- Three weeks before the start of each quarter we would have an executive team all-day meeting to work on strategy for the upcoming quarter. In December this was expanded for the entire upcoming year.
- Three weeks after the end of each quarter, we did a Quarterly Business Review (QBR) for each department, with the entire exec team participating.
- Throughout the year I made lunches a priority. I'd have a weekly lunch with the VP of People and with any recently hired executive. I'd also have a monthly one-on-one lunch with every executive. And once or twice a month I'd invite three random employees to lunch, for some variety in perspectives.
- Every meeting had to have an agenda, even a short meeting to review open marketing tasks. The agenda might simply be one line, but this rule meant that everyone invited knew what was going to come up.
- The goal of every meeting was to create action items, and every action item had to be assigned to a DRI with an expected resolution date. Someone would be responsible for taking notes and emailing them to all involved. This may sound extremely basic, but you'd be amazed how many companies screw up the basics!
- The DRI was responsible for tracking the output of anyone participating in a

project.

- For the exec team we kept updating a spreadsheet for all action items assigned at the weekly executive meetings. This included the date an item was added to the spreadsheet which also showed if certain items were lingering on the spreadsheet week after week. Some of them tended to get stuck way too long.
- For the dev and marketing departments we used JIRA and Confluence, which worked well for tracking work in each department.

It took us about ten years longer than it should have to get this level of tracking implemented and followed throughout the company. But we got there (in large degree due to the evangelism of Adam).

When the metrics look bad…

Managers hate to admit mistakes and failures, so you must make it clear that fudging the key metrics is a very serious offense, certainly a firing offense if done more than once. Fooling around with the numbers is the same as lying, and a terrible breach of trust.

Of course you need to set the example and hold yourself to the same standard. You must always admit your own mistakes and failures, and deliver accurate reports even if they don't put you in the best light. You'll never convince people to become vulnerable enough to expose their shortcomings if you refuse to expose yours.

Your employees will generally accept failures by their managers, including the CEO. They won't be thrilled, but most adults accept that everyone is only human. But what they won't accept is either lying about a problem or refusing to address a problem.

You need to make it very clear to everyone that you see what’s wrong and you’re working on it, even if the solution isn’t clear yet.

Equally as important, if not more so: you need to measure employee attitudes toward the company. We would survey the entire staff about once per quarter, after finding that doing so more frequently dropped the response rate. You need to strongly encourage—if not beg!—every employee to participate. One joke I’d use was announcing that I’d assume everyone who failed to return the survey was thrilled to be at Windward and thought I was 100% perfect.

The survey questions would change over time based on what was going on, and they always include a mix of numerical questions (“On a scale of one to ten how do you feel about…”) and open-ended response questions.

Our rule was that we shared the numerical scores at the monthly company meeting, but the written responses stayed confidential so no one could guess who wrote what. Of course, being only human, Shirley and I always tried to guess who wrote what.

We did make public one set of open-ended answers, because they were too good not to share. The question: “If Windward was a famous person, who would it be and why?” This turned out to be a very useful question to probe what the staff thought of us, and many of the answers were hilarious. We got everything from Tony Stark to Elton John to Ben Horowitz. The *why* part was the most interesting and a lot of it matched what Windward was as a company, from *driven* to *charting our own path to success*.

Keep in mind that measurement is never just about tracking the performance of the company’s various departments, or the department managers tracking the performance of the employees. It’s also about the employees measuring the company as a whole, and the job senior management is doing.[91] Ignore them at your peril.

[91] I would always take these survey results to the Advisory Board.

Chapter 13—Firing: Sooner is better than later

> *"Firing employees, that's unfortunately a part of doing business." —Paul Wolfowitz, president of the World Bank*

> *"It's not the people you fire who make your life miserable. It's the people you don't." —Dick Grote, management consultant*

Firings and layoffs

Firing people is one of the most important challenges you need to handle well. It's also terribly difficult, because you will feel awful almost every time you fire someone. With that said, I never once wished I had waited longer to fire someone. Never! I always wished I had done it sooner, in some cases much sooner. The key theme of this chapter is that no one benefits—including the employee or their peers—if you drag out the process.

Or to put it another way: if you want to reduce your bad days at work by half, fire the problem employees sooner. As soon as your only reason for continuing to work with someone is the effort required to replace them—that's the signal to fire them that day.

If things get really bad for your company financially and you have to do layoffs, a single, deep round is infinitely better than a series of small rounds. Surviving employees will be understanding about one round of layoffs as a brief shock that they can then put behind them and begin to recover from. But if you then do a second round or multiple rounds, virtually everyone will update their résumés and seek new opportunities.

In one respect, group layoffs are easier than individual firings, because you're essentially saying, “It’s not you, it’s us.”[92] So there’s no sense of failure being placed on layoff victims. On the other hand, you might feel worse about group layoffs and find them harder to carry out, because the affected employees may have been doing an exceptional job and there was nothing they could do to avoid it.

Neither is fun, but you will have to handle both professionally. There’s no alternative.

Finding the silver lining in the Great Recession

We had to do layoffs twice at Windward. The first time was when we hit the Great Recession of 2009, when our revenue plunged. We looked hard at every department and compiled a list of B-level players whom we probably should have let go for cause much earlier. I pointed out to our department heads that in the long run, the company would be better off by doing this layoff, so we could eventually restaff with better talent as the economy improved. But that long-term benefit didn’t make the process pleasant in the short run. It was still rough on all our executives.

We were able to minimize the scope of that layoff by simultaneously doing across-the-board 10% pay cuts for those who remained. We explained in great detail how the recession was hurting our financial situation, and why we decided to make those pay cuts part of our response, instead of laying off even more people and keeping the survivors at full salary. We told everyone getting a pay cut that we would understand if anyone wanted to leave. No one did. We also went privately to the people at the low

[92] Just as when this line is used during romantic breakups, it isn’t always true, but it reduces the sting.

end of the salary range and told them privately that there would be no cuts to their salary.

I think it's valuable to do a balance of layoffs and pay cuts if the problem is an outside force such as a recession. It shows your employees that you are responding to the problem with an appropriate balance. If you only do pay cuts, people will wonder why they have to take a deeper cut to keep some of their underperforming colleagues employed. But if you just do layoffs, people may complain that you weren't willing to sacrifice anything to keep some key people at the company.

As soon as we could afford to undo the pay cuts for the staff, we did so, and about six months after that we could afford to undo them for Shirley and me. I don't know if any employees found out that our restoration came after theirs, but they did trust that we were not treating ourselves any better than the rest of them.

Compensation will almost always be the most emotionally volatile issue in your relationship with employees. People will put up with and excuse a lot of flaws in a company, but any sense that they are being paid unfairly will get them very upset. On this issue more than any other, it's essential to think very carefully before making a serious move. Think about how you will defend your choices to the remaining employees and make the case for them to cut you (at least a tiny bit of) slack.

Layoffs after a strategic pivot

The second time we did layoffs was when I reached the conclusion that outbound marketing and sales was simply not working as a revenue generation strategy, and it was time to pull the plug. In this case we let go of a few people who were B-level (one was actually C-level in hindsight), and it was a relief getting them out of the company.

But most of those affected by this layoff were really good—talented, hard-working employees whose skills simply didn't fit our new inbound-only strategy. Letting those people go really sucked.

You can keep reminding yourself that your company would go out of business if you kept paying for staff who cost more than the value their efforts generate. But that won't help you feel any better. Unless you have a heart of ice, it will suck to let go of good people due to no fault of their own, even if you're generous with severance. We gave everyone two weeks' notice plus severance pay of an additional week for each year they had been at the company. We also gave them good references, and told them that during their final two weeks, they could put applying for new jobs ahead of closing up their Windward work.

I found it fascinating that the few employees who got royally upset over being laid off were the worst performers—the B-level or C-levels. In fact, we soon discovered that the one who was by far the most upset—storming out and refusing to work his final two weeks—had actually been doing a lot less work than we thought. Perhaps these underperformers knew they were losing a great gig and wouldn't find another so easily.

In contrast, the good performers up to the stellar performers were not happy about the layoffs, but they understood once I explained the logic. They were professional for their final two weeks and afterwards. Perhaps the layoff stung less for those who knew they would land on their feet, because they were talented and hard-working. (I'm sure some got pissed, but if so, they hid it well.)

Firing your bad hires—ASAP

Sometimes you will come to realize that a new hire was a mistake. Not within months or weeks of watching them at work, but within a few days. When this happens, you will inevitably start questioning yourself. *How could I have decided to hire this person if their flaws were so big and became obvious so quickly? Did I have the wrong expectations? Maybe they have a very different, but ultimately effective, way to do their jobs? Maybe they just need more time to understand the company's culture and systems?*

This happened at Windward three times, all with executive-level hires. Each time we went through months of finding candidates, interviewing them multiple times, and thinking hard about which one would be best for the role. Each time it was hard to believe we had blown it so badly. So we waited. We worked with them. And not to excuse it, because the final responsibility is mine, but in each case I had a fellow executive and/or board member telling me to give it time for it to work. So we gave them time to show that their distinctive approaches would work out, and there was no need to declare a mis-hire within just a few days.

But in each case the problems got worse and worse, very quickly. Like a snowball in a cartoon that grows as it rolls downhill, by the end of week two these people were already causing serious damage. And I was so focused on trying to make it work that I couldn't step back to get perspective on the damage. I just kept trying to help them succeed.

As an example, I once hired a sales VP who forwarded our confidential evaluations of his direct reports to those employees. Several of us had tried to give him the lay of the land, but suddenly his whole department was upset about what we said about them. And our new VP didn't even take ownership of the issues we raised, presenting it to the employees as "these are the issues others have with you." Nor did he do anything about the staff issues we had brought to his attention as challenges to be addressed.

By forwarding this on he immediately destroyed the already low morale on the sales team. By not stating if he thought any of these issues were important, he left it that people could continue to act as they had been because he was not concerned about any single issue raised. In his eyes these were not problems.

And it exploded from there. I told him to never do that again—he continued to share confidential feedback even after I told him to never do so again. He ignored our rule about not bringing cell phones into meetings, after grudging compliance for just one or two meetings. He clearly did not respect anyone else in the company. For the life of me I have no idea how he had succeeded at his previous jobs.

Other CEOs have told me that this sort of thing is inevitable, no matter how much time and effort you put into hiring. When this happens, the best solution is to fire this kind of person immediately, because every day they stay will be another day of destructive behavior. They can do more damage in a week than most bad hires accomplish in six months. And it can only get worse, because in theory everyone is on their best behavior during the first week at a new job.

And keep in mind that the others advising you to keep trying for a bit are facing those same emotions you face around the effort they made to find this person, the personal belief they'll be a success, and the extra work of going back to square one to fill an empty position again. But none of those desires will change the destructive force of a disaster.

When an employee is truly poison

Then there are several kinds of employees who are truly poison, endangering the entire company's morale and productivity.

First, and easiest to fire, is the blatant crook. We had one who committed fraud by using the company credit card for personal purchases. But even before that clearly illegal fraud, there were all sorts of questionable warning signs, such as buying herself lunch with the company credit card on a run to Target for company supplies. Fortunately, the employee who went with her to Target felt terrible and told us about it, offering to repay the company for her lunch.

We had others who were not on board with the company's core values. For example, we had a support engineer who was quite competent, but did not embrace the "do your damndest to delight customers" ethos. This person was always out the door at exactly 5:00, even if a major customer had a serious problem. Others on the support team would have to babysit this individual's tickets to solve the problem that day, or at least give the customer a status update. It may sound like a small grievance, but this engineer's disregard of our values left the rest of the team feeling they had to carry him to do our damndest for the customers.

We had another person whose lack of dependability led to our adding that as another core value. If you keep someone who clearly does not believe in the core values, and ignores them at will, then your core values are meaningless. If you don't fire those people, they will spread their poisonous attitude destroying everyone else's respect for the importance of those core values.

The same is true with the strategy. If someone does not believe in your strategy, how are they going to help the company achieve it? Of course, most employees can just do their immediate jobs without thinking about the overall strategy. And if necessary you can reassign those people to another area, where they can work on the parts of your strategy that they do believe in.

But for the executive team, there's nowhere to hide—it's critical that they believe in and support the company's strategy. This gets back to Chapter 9, on alignment. Department managers who undermine the strategy to their direct reports, and send them working in other directions, are extremely dangerous and need to be removed ASAP. If an executive is not working toward the company strategy, how on earth are you ever going to achieve that strategy? You're not.

And those same managers are now taking their departments God knows where because everyone in the department has conflicting guidance to go work on things that are not clearly tied to the strategy. In this case what usually happens is that everyone gets focused on achieving easy goals to show they're working, but those goals are generally not useful.

The worst example of this was one sales VP who thought we should discount, discount, discount. Any objection from a prospect he wanted to answer with a further discount. He and I had constant arguments over discounting, and he'd override my directive to tell the sales reps to offer discounts. By the time we had a purchase order from a company with the discounted price, it was too late to undo the deal. I ended up with a rogue sales team bringing in unprofitable deals, because they were poisoned by their own VP.

Then comes the hardcore cynic. This is a hard one because some people are naturally grouchy or simply bring a critical perspective toward the company's strategy, goals, and metrics. That kind of healthy skepticism and questioning can be very valuable! But when skepticism devolves into constantly running down the company's goals and decisions and activities, that's extremely *unhealthy,* and contagious.

These people try to convince others that everything being done is stupid and the company is headed for failure. Often they have no good ideas of their own, just empty complaints about the clearly better results they think we should be achieving. I call these people lobsters. If you have live lobsters in a bucket and one is crawling up the side to get out, the others will pull it back down. No lobster will allow another lobster to reach freedom.

We once had a product manager who was great at his job, a clear A-level contributor. But he also was very negative about everything, including the product, the strategy, the senior management team. He knew better than everyone and thought little of anyone who did not agree with him. And he was very loud about it. We had to let him go as he was poisoning the whole place.

<u>What happens when you outgrow certain employees?</u>

This is the hardest type of firing of all. A startup company grows quickly and dramatically, and there will usually be some people who were super valuable in the early days, but are no longer a good fit once you hit 3X or 5X your original head count. In many cases these people gave their all to the company and helped it achieve early success and growth. But that same success and growth now means that you need to replace them with someone who's a better fit for the current version of the company.

This can be hard to identify because it's not like someone is perfect at their job when you have 29 employees, then suddenly awful once you get to 30. It's a gradual increase in frustrating underperformance, a death by a thousand cuts. As the months go on, you'll start to see a wider and wider gap between their skills and abilities, compared to what you need from someone in their position. I never had an epiphany where I suddenly realized that the company had outgrown someone. Instead I'd accumulate a growing list of concerns, making me less and less happy with their output.

This situation sucks for all involved. Longstanding, dedicated employees hate to go out on a sour note, after being told they are no longer meeting expectations. And you will dread pulling the trigger and will probably try to delay it as long as possible. You'll coach them on how they need to evolve to continue contributing at their previous level. You'll give them second, third, and fourth chances. And when the end is inevitable, you'll give them a very nice severance package and a great recommendation to any job they apply for. And you will sincerely thank them for all their contributions. But even after all of that, this kind of firing will still suck, for you as much as them.

Firing senior executives—and teaching them how to fire others

I've covered the specific problems I had with some executives in other chapters, so I won't repeat those examples here. But let me stress how important it is to let go of department heads who are consistently not on board with the company's goals, or simply don't believe in you or your leadership. If you don't let them go, your company will become a political mess. The damage they can cause is so significant that you often can't afford to give them a second or third chance. You owe them an explanation as to why you're letting them go, but you don't owe them additional chances to cause trouble.

Equally important, your executive team needs to be willing to fire those who report to them. That's simply part of being an exec, and any department head who doesn't accept that has no business becoming an executive. Many will find it very hard to do at first, and some can't seem to bring themselves to fire anyone in any situation. Others may tell you that they don't care if their direct reports violate certain core values or believing in the company's goals; they're fine with anyone who gets their specific job done.

One of our sales VPs agreed with me that one of his sales reps was seriously underperforming. But instead of firing this rep, the VP devised a nine-step personal development plan that would take 18 months to complete. This was pure avoidance on the VP's part. I ended up firing that VP, and then firing the sales rep.

If your execs can't enforce the goals they set, or if they're intimidated by their direct reports, that means they don't have control of their department. You have to try to help them confront their fear of enforcing standards and their fear of firing people when necessary. Sometimes you'll have to push them out of their comfort zone. We had several executives who were otherwise wonderful but struggled mightily to fire anyone. I didn't see that as a dealbreaker, just as a weakness that they had to work on and overcome.

I made it part of our yearly executive retreat that each department head had to rate all of their direct reports (A, B, or C) and list their main strengths and weaknesses. This helped them keep an eye on the ones who weren't catastrophically bad, but were not up to the level we wanted. And it gave the department heads fair warning that the C-level people might need to be fired within the coming year. Those execs couldn't claim that they never saw it coming.

And I then did the same thing about the executive team members with the board. The board's feedback on this was useful, but my sitting down to write it all out and think it through for each—that was invaluable. It made me face up to the ones that weren't getting it done. And in hindsight, I should have done this quarterly.

Easier said than done

Looking back, I regret numerous cases where I saw that someone was a problem, and thought about firing them, but ended up waiting too long to pull the trigger. I did get better at it over time. But it took me way too long to fully appreciate the damage that waiting caused—to the whole department, the whole company, and even the employee who was let go. You're never doing anyone a favor by keeping them in a role they aren't qualified for or aren't a good fit for.

Lots of executives resist firing, not only because it's easier said than done, but because they don't want to create a new hole that will have to be filled. My response is that it's always better to have a hole than a drain. A poisonous employee or executive will drain the life right out of your company. Yes, when you let them go you will have to fill a hole, including, in the short run, by assigning extra work to other people. But in the long run you will be so much better off. The damage these people do is so much greater than the headaches caused by a temporary vacancy.

Finally, you do not owe executives even a second chance. The damage they can cause is so significant, if they're the wrong person, that you should fire them immediately. You owe them an explanation as to why you're letting them go, but you don't owe them an additional chance. That's part of being an exec, and any executive that does not understand that has no business becoming an executive.

And did I follow this? Not even close. It took me time to see the damage that waiting caused. It took me numerous cases where every single bloody time, once I saw they were a problem, I ended up having to fire them. But I should have done it sooner.

And as time went on, I addressed these problem employees sooner.

Speaking of hiring, you can prevent some (not all!) firings by insisting that anyone hired has to be qualified for the role immediately, and unlikely to outgrow it for at least 18 months. Don't hire anyone who you think will be great *after* they add more skills, or *after* the company grows more. Waiting for them to reach their potential is asking for failure.

Execs who try to avoid firings often opt for a warning and a probationary period of two or three months. But in my experience, probation never (truly, never!) works out. At some point Windward replaced probationary periods with simple two-week warnings: *Here are the behaviors you need to change, immediately. If you haven't changed them in two weeks, you will be fired for cause, without any severance. Or, if you prefer, you can quit immediately and take six weeks of severance.*

You may think that six weeks of severance for completely screwing up is too generous. But it's actually cheap compared to the cost of doing a two-month probationary period. It's cheaper and less damaging to rip the Band-Aid off and pay the person to leave now. I found it interesting that our most poisonous people usually took the severance offer. The ones who stayed sincerely tried to turn their behavior around, usually improving enough that we wanted them to stay.

In the rest of this book I listed problems you may have. Most likely you'll have a couple that are similar to those other problems, but for most of them you won't have anything like the ones I listed. Instead you'll have your own unique giant problems.

But the problems listed in this chapter—you'll likely have every single one of them. Multiple times. So the good news is that this chapter gives you scenarios you will face, how you need to evaluate the negative impact of an employee, and when you need to fire someone.

The bad news is you'll have to go through the same learning process I went through. You will have to develop a feel for when some employees can be taught or corrected, versus when the only solution is firing them. And then you will need the courage and discipline to follow through.

And I'll close the chapter with this reminder: one of your fundamental responsibilities is to fire people, you will take too long to do so, and you are not doing either the company or that employee any favors by stretching it out.

PART IV—SURVIVING THE PRESSURE

Chapter 14: The first rule of mental health is that no one talks about mental health

> *"You flip rapidly from day-to-day—one where you are euphorically convinced you are going to own the world, to a day in which doom seems only weeks away and you feel completely ruined, and back again." —Marc Andreesen*

> *"As a startup CEO, I slept like a baby—I woke up every 2 hours and cried!" —Ben Horowitz*

Being CEO is a horribly lonely job with pressures that are unimaginable until you actually face them. Everyone else at a company can run away or quit if things get bad enough, but you can't because you have the ultimate responsibility.

Too many CEOs ignore this pressure and suffer the consequences. This chapter is about dealing with it head-on.

My worst moment

By far my worst mental health moment as CEO of Windward was one of my last—when I got the offer to buy the company, as I described in the introduction. While I was blown away by the size of the offer and the validation of all our hard work, I really, *really* didn't want to sell. Windward had been my life for the previous 15 years. It bolstered my self-worth and gave me an outlet for my creativity and productivity. It was so much more than a source of income. Being asked to sell it was like being asked to sell one of my kids.

In my anguish, I would repeatedly put my head on my desk at home and just cry for a half hour. I became short tempered with everyone and even lashed out at my family, saying some terrible things that I later regretted—a lot. I withdrew as much as I could from the world. In short, I was in really bad shape. I had never felt that depressed in my whole life—not even when I was fighting cancer.

Fortunately, I found Michelle, a great therapist, to help me work through all the feelings unleashed by the buyout offer. One giant piece of advice she gave me was that most people need four to six months to process a major life change such as ending a long-standing career. If you're lucky enough to be able to plan your retirement six months in advance, you might be in good mental shape when the big day finally arrives. But if you lose your job out of the blue, even with a wonderful payout, it's pretty much impossible to handle well.

After initially rejecting the buyout offer, I changed my mind because others, especially Margarita and Shirley, convinced me how much the sale would mean financially to our employees, as well as to my own family's financial security. The next few months of transition remained hard, but Michelle (and Shirley) helped me get through it. Today I have no regrets about selling the company, even though I still miss it. I'm only sorry that my anguish at the time was so hard on people I cared about.

The lonely, relentless pressure on CEOs

Everyone at every company expects the CEO to be perfect, even if they deny it and say something like, "Of course not, we know the CEO is only human." If only subconsciously, everyone expects the CEO to show up every day in perfect physical and mental health, a mini-Zuckerberg, young, white, male, and a graduate of a top school, ready to make flawless, brilliant decisions and support everyone else's needs. Since you will inevitably fall short of this unspoken standard, your imperfections are likely to weigh heavily on you. And the worse you feel on any given day, the heavier those imperfections will feel, as your private burden to carry around.

If some of your board members are or were CEOs, they will understand this pressure. But otherwise, you will have few, if any, friends you can really talk to about the loneliness of that burden. That's why various CEO peer groups have sprung up, to create an opportunity to talk with others who are walking the same road.

In addition, you don't get to have friends at work. Friends are accepting of their friends' shortcomings. At work you can't be accepting. Friends do not fire friends from their job. At work you do have to fire anyone who doesn't measure up.

Windward once hired a friend of mine who worked in sales. I thought he would be very successful, but unfortunately, he was not. It was not my call to fire him, but I did have the power to give him preferential protection if I wanted to. Instead, I told his manager that he should not be treated as a special case, and if he repeatedly failed to make quota, he should be let go just like any other rep. My friend never spoke to me again after being fired and I regret it to this day. My mistake was in hiring him, not in failing to protect him. The company had to come first.

Are you willing to be an asshole?

Another source of pressure is that some ex-employees will hate you, whether for legitimate reasons or for completely unfair or fictional reasons. And there's nothing you can do about it. You don't get to present your reasoning and convince them that you try hard to make fair decisions, and therefore they should take responsibility for their own shortcomings instead of projecting them onto you.

A couple of former Windward employees used to call everyone else who left to commiserate, telling them that everything bad about the company was Dave's fault—especially if Windward had just fired the newly departed person. A core group of these Dave-haters stayed bitter for years after leaving. They did everything short of making "We Hate Dave" T-shirts and holding weekly (un)happy hours.

I think people prefer to turn their ire on a specific person instead of "the company" and as the CEO you become that target. This is more comforting to them than accepting the fact that their performance fell short of standards, or they just weren't a good fit. But when you're the CEO, knowing that someone else is using you as a defense mechanism doesn't do much to reduce the sting.

And on top of all that, sometimes the cause of their leaving (voluntary or involuntary) would be due, at least in part, to bad decisions I made or to parts of the company operating poorly. So yes, some of that unhappiness aimed at me was valid.

Sometimes a CEO has no choice but to be an asshole. Sooner or later you *will* need to fire people when there's no value in keeping them. You *will* have to lay off an entire team that has become strategically obsolete, even if you like them and they did their jobs well. You *will* have to cancel funding for a project that some of your best people are passionate about. You don't have to love or even like being seen as the asshole in those situations. But you must accept it and come to terms with it emotionally, as part of your responsibility as CEO. In fact, I'd argue that fully half of the mental pressure of your job comes from doing things that make other people feel bad.

The other big source of pressure

The second half of the pressure comes from you being responsible for the company's success. When the sales team doesn't make quota, they often blame marketing for not generating enough leads, or development for handing them a crappy product. When marketing doesn't bring in enough quality leads, they often blame sales and development. And when development delivers a product that doesn't sell, they often blame marketing and sales. The finger-pointing never ends. But in the meantime, everyone, absolutely everyone, also blames the CEO. Regardless of which department is primarily at fault, every result is ultimately a reflection on your management and strategic direction.

You can try your best to shake off that burden by assigning expectations and holding people accountable for the issues the company faces. But even if you manage everyone perfectly, that weight will remain on your shoulders. That's why it's so tempting to jump in and try to solve every problem, because ultimately any failure will land on you, no matter how clearly the responsibility belongs with others.

And that will happen no matter how well you do your job. No matter how clearly the responsibility for failures sits on specific departments or teams. No matter how obviously it's not your fault. It rides you because in a way, it *is* your fault. You have absolute power in the company—so why don't you fix it?

Add it all up, and you are expected to 1) always make the right decisions, 2) always take responsibility for any failure, 3) always remain optimistic and upbeat, though not unreasonably so, 4) never get too emotional, and 5) never admit that the pressures of 1-4 will put a huge strain on your mental health.

Coping with your bad days

I should note that on most days I felt good if not great. Whenever we hit quota halfway through the month, or a new marketing campaign was bringing in quality leads, or a new version of the product was winning raves from customers, work was joyful. And even when we made quota on the last day of the month[93], and marketing was barely adequate, and the next product release was a week late—life was still damn good. On most of those days I wouldn't have sold the company for a bazillion dollars.[94]

The good times, when the company seems to be firing on all cylinders, can help get you through the bad times that will inevitably be mingled in—the times when your problems seem to be multiplying faster than you can even count them.

So that's the biggest part of coping, that most times are good to great. Most days there's nothing you'd rather do. It's been 18 months since I was CEO at the time of writing this and while I don't regret the sale, I miss running the company. Terribly. In so many ways it was the best period of my life.

With that said…

The problems, the problems, the problems. Before becoming CEO, I used to have one or two beers per month. After becoming CEO it usually went up to two beers per night, with dinner. Every bloody night. On a good day, it was still a nice way to relax. On a stressful day, it was a very helpful way to decompress.

About once every two months, a day was so stressful that I'd call Shirley and we

[93] For B2B sales you'll often have half your sales come in on the last three days of the month.
[94] Granted, I eventually did sell it for a bit less than a bazillion, but it was a hard decision!

would meet for lunch someplace far enough away that there was no chance we'd run into anyone from the office. I'd sneak in an extra beer for lunch on those days, but I think getting a midday change of scenery was just as beneficial.

Walking through a park right near our office also helped. I'd often go out for a walk in the mid to late afternoons. I learned to measure my stress level by how far I walked before turning around. Most days I just needed a little fresh air and turned around quickly. But some days it took every bit of willpower I had to turn around and go back instead of just walking away forever.

Five more ways to protect your mental heath

First, train yourself to never make *in-the-moment* emotional decisions. *Never*. If you are in the heat of the moment and about to blurt out something, even if it's just a suggestion or "what if…," shut up. Every time I said something during a tense or emotional meeting, especially a group meeting, it was a big mistake:wrong for me and it put unreasonable pressure on others.

What drives this in part, at least for me, is you have employees who *know so much better than you* who want you to follow their advice. And you so desperately want to turn it over to them so they can bear all the pressure and you can say *told you so* when they fail. The thing is, are you really willing to destroy the company just to prove to someone that their approach will fail? Really?

So when things get tense and emotional—shut up. Call a time out-and think about it overnight. Go home and yell at the walls and discuss with your significant other or a close friend. Talk to your board members. Most important, calm down. Emotional well-being requires that you don't let your emotions make decisions.

Second, don't allow drama queens at work. Drama is a way for people to take control of conversations by becoming emotional and forcing everyone else to assuage their emotions. If you tolerate that behavior, you're essentially saying that the biggest drama queen in any situation will now be the deciding voice. Giving them whatever they want will play with the emotional well-being of everyone who has to hear their temper tantrums, including you.

Third, get a therapist and stick with your weekly sessions. Even if you hit a three-month stretch when everything is going great, continue meeting weekly. Even when you think everything is perfect, a good therapist will usually manage to find something uncomfortable to talk about and a new issue to address. Keep in mind that your therapist won't care whether the company is successful or not, which makes them perhaps the only person in your life focused 100% on your mental health. That's a big part of the value of therapy. You need this one person who can help you process your pressures and frustrations, with the sole goal of helping you rather than the business.

Fourth, you can't fix your limitations, but you can accept them and take them into account in your day-to-day life. You can acknowledge your imperfections and stop beating yourself up about them. Instead, celebrate the good attributes you bring to your job. You are who you are, and it's not like there's some alternative CEO who could take over and be perfect in every way.

Fifth, just as you can't beat yourself up over your general imperfections, try not to beat yourself up over specific mistakes. It's so easy to do, especially when you're awake and stressing out in the middle of the night. *If only I had… Why didn't I… Any idiot could have foreseen…* Yes, you want to analyze and learn from your mistakes. But given the choice between focusing on how you blew it yesterday or on how you're going to do better tomorrow, there’s only one path toward success and peace of mind—to focus on the future.

The biggest lesson: keep it in perspective

Above all, remind yourself that your company is not everything. It’s not even the most important thing in your life; first is your own health and your family’s well-being. All three of those priorities may conflict with each other sometimes, and you juggle your day-to-day priorities. But in the big picture, long term, you have to put your health and family ahead of the company.

When you do look back, focus on your successes rather than your mistakes. If your company is successful, by definition you must have more things going right than going wrong. Feel joy when things go well, and feel pride in everything you did to drive that success.

The true payoff from building a company is not the financial payoff; it’s all those days and weeks and months of kick-ass awesome days, when the world feels wonderful because the business is going so well. The financial payoff’s big message is not the money, it’s the validation of your success.

And when you hit days that are so bad that you’d happily pay someone to take over the company, it might help to know that I also hit those days, many times. But I powered through and went on to great and happy success.

Chapter 15—Working on your own personal development

If you can keep your head when all about you

Are losing theirs and blaming it on you,

If you can trust yourself when all men doubt you,

But make allowance for their doubting too;

…

If you can fill the unforgiving minute

With sixty seconds' worth of distance run,

Yours is the Earth and everything that's in it,

And—which is more—you'll be a Man, my son!

—Rudyard Kipling[95]

Learning to be a CEO

For pretty much every other role in business, you can get training, practice executing one position well, then get promoted to a new level where you can further hone your skills. At every step up to and including VP or department head, your job is narrowly defined as accomplishing a range of specific tasks assigned to your team,

[95] Yes, Kipling says "man" instead of person. It remains excellent advice for all genders.

while sharing status updates, feedback, and ideas with your peers.

But once you make it to CEO or start your own company, almost none of that previous work is germane to your new role. You're starting with no significant training or experience. This is a job you can only learn as you go, with no real opportunities for training (not even an MBA, or this book). Improving how you perform is a never-ending challenge. You don't need to be perfect, but you do need to keep getting better than you were the previous month.

Management at the CEO level is different from management at any other level, as I hope has become clear from the previous chapters. Non-CEOs can give you advice—often very good advice—but they can't see things the way you see them. (One giant advantage I had was that Shirley was CEO for five and a half years, so she could give advice as an experienced CEO.)

You will need to become comfortable with learning as you go. You're going to make a lot of mistakes, just like every other first-time CEO. Mistakes are how you learn. If you aren't making any mistakes, you are probably not taking any risks—which is itself a huge mistake.

Whether you've started your own company or got promoted to CEO in someone else's company, you now have this big job for valid reasons. Remind yourself that you bring serious strengths and knowledge to this role, which will help you learn the new skills you'll need. Use that background to your advantage.

As a CEO, continuous learning needs to be one of your top priorities, even after you've been doing it for several years and feel like you're getting the hang of it. There's so much to it that if you keep learning, every year you can be better than the last.

This doesn't mean that you need to be equally good at all parts of the CEO role.

It's better to be truly outstanding at just some of them, and focus on continuing to improve at those parts. A rule of thumb is that you can get 200% better at skills your brain is wired for in the time it takes to improve just 10% at skills your brain is not wired for. Of course, you must achieve basic competence at everything, but competent may be far from what others consider ideal.

For example, I learned to accept my autism, which meant I was never going to be good at giving people the constant praise that many crave at work. I was upfront about it to the company, saying that having an autistic CEO has both good points and bad points. By putting it out there, everyone knew that a lack of praise from me didn't mean that I thought they were doing a bad job. I just wasn't wired to praise.

The paradox of developing your skills as CEO is that the better you get at your job, the more the company will grow—and the more it grows the more your job will change. Every time you reach about 3X growth over a previous milestone, all of your processes will have evolved, along with all of your CEO responsibilities. For instance, getting 30 people to live by your core values is child's play compared to getting 100 people to embrace them, requiring all new ways to reinforce those values and measure adherence to them.

So you have to prepare mentally for a never-ending climb up your mountain of personal development.

<u>Where to turn for advice</u>

At one of our early board meetings, I asked how to determine when I should follow the advice of my executive team and when I should follow my own gut, if it was telling me the opposite. One of my board members, a very experienced and successful

CEO, replied that that was one of the key questions any CEO faces. That was the full extent of his advice. On other issues the board was extremely helpful with clarifying questions and suggestions. But here they were essentially saying, “You’re on your own.”

The loneliness of CEO decisions is why business coaches have become increasingly popular. A great coach can be a giant help as a sounding board for decisions, as a source of questions that clarify key issues, and as guide to when you should or shouldn’t trust your gut instinct.

Unfortunately, great coaches are rare and even competent CEO coaches are hard to find. Quite a few can be a great help to a manager, director, or VP, but not to a CEO. Almost all the coaches I’ve encountered think a CEO is just a supercharged manager, so their advice focuses on managing people. They don’t seem to grasp that managing people as a CEO is only part of the job, and a relatively small part. And they don’t seem to grasp the differences between “managing up” toward a boss versus managing a board of directors.

So when you look for coaches, make sure yours understands the unique challenges facing a CEO. Look for someone who understands the importance of core values, strategy, and what’s important in an executive team. And make sure your coach will be comfortable telling you when you do something stupid. You’re not paying them to be a yes-person. Once a coach is on board, resist any temptation to treat them like a therapist. That’s an equally important but separate role, as we discussed in Chapter 14. Your coach’s mission is helping you move your company forward—not improving your mental health, marriage, or work/life balance.

You should also block off time to read some of the many great books about running a company[96]. I don't mean books about managing people, but on the bigger challenges of culture, strategy, organizational development, and so on. Of course, no single book (even this one) will have all the answers. You need to select the ideas from each that seem useful and modify them to fit the unique needs of your company. You also need to prioritize. If you get excited because a book has eight great ideas you want to implement company-wide, just pick one to start. You don't want to give your company whiplash by implementing too many company-wide initiatives. Most people don't do well with change in more than small doses.

Attending business conferences can be hit or miss. There are a ton of them, and I find that they fall into two camps. Some offer complete management systems such as Rockefeller Habits,[97] where the conference is built around a single proprietary system for managing your company. These might help, even if you don't go all in on the system. We spent a year, with a coach, implementing the Rockefeller Habits, then said goodbye to the coach, retained some parts of the system, changed other parts, and discarded the parts we found useless and irrelevant. What we were left with was a good fit for Windward.

Other conferences offer a grab bag collection of presentations for CEOs, with no single system or approach. Some will be useful, some merely interesting, some completely irrelevant. I went to a few where most of the presenters were authors who merely summarized the contents of their books. I figured it would be cheaper and easier to just read their books. But that's me; I prefer reading to hearing a presentation. Shirley

[96] My favorites are listed at the end of this book.
[97] John Rockefeller's success did not come from his habits, but from ruthlessly establishing a monopoly.

preferred conferences. Use whatever works best for you.

Then there are CEO peer groups such as Vistage. I went to an intro session for three of them and didn't find them interesting. But Shirley joined Vistage and found it very helpful, offering a sounding board of fellow CEOs. Such groups promise a way to share your problems and mistakes with other CEOs who have faced the same problems and made the same mistakes. You may find great value in a monthly gathering that reminds you that you aren't alone—and that some of your peers have much worse problems than yours.

If you do join a peer group. I strongly recommend looking back after six or nine months to study it with clear eyes. Are you really getting practical help from the group, or are you merely enjoying the company of your peers and the comforting reminders that you aren't alone? If the group isn't really helping much, be mindful of the opportunity cost of making time for those meetings.

Believe in yourself

It may sound trite, but the biggest step I had to take toward becoming a good CEO was learning to believe in myself. When I first started, I often deferred to the suggestions of my executive team, because I figured with their expertise, they knew better and so I could trust their judgement.

The problem is that the CEO has to focus on the organic whole of the company, not the needs or problems of any single department or function. So you will never see things quite the same way as your department heads, no matter how great they are. And you have the additional issue that your exec team is, at best, imperfect, and at worst, horribly incompetent.

Everyone else on the exec team will push for decisions that will help them achieve their goals, such as your VP of sales trying to find an easier way to hit (or reduce) quota. But your objectives are to determine where the company should be going, and how to get there, and whether you have the right people to get there. Because your execs have the luxury of just focusing on their own teams, they live in very different worlds.

That's why my biggest personal development step at Windward, after we refocused and did layoffs, was committing to trust my gut, despite my admitted limitations and flaws. There's great power in being true to yourself—in rejecting any decision that feels wrong, even if it might be right for someone else, even if you can't express your gut instinct with words.

Believing in yourself requires accepting that you will get a lot wrong. You will never know enough to decide anything with certainty. You will probably never be the most knowledgeable person in the room on any subject, yet you have the final call. That's the unavoidable paradox of being a CEO, and you need to become comfortable with it.

At best you'll do half of this stuff well. If you manage fifty percent, you're doing an awesome job. One way to look at it is that gives you a higher batting average than any Hall of Fame baseball player.

Once a year I would ask the board to review me, including whether I should remain as CEO. Keep in mind that they had demoted me once before, so they were clearly willing to consider it. And through all this, while they would identify mistakes I made, they always told me that I was doing well as the CEO.

But while you're trusting your gut and making all these high-level decisions, don't forget to stay humble. Not fake humble, but truly, sincerely, in the privacy of your own head. You can easily start to feel like the whole company—your whole world—revolves around you and depends on your brilliance to keep moving forward. But that attitude is counterproductive and will set you up for failure. If you find yourself getting arrogant, think through the last couple of giant mistakes you made. That will bring you down to earth quickly.

<u>Your development requires owning your mistakes and failures</u>

Part of staying humble is owning and learning from your mistakes as a critical aspect of your personal development. You can always find someone else to blame for whatever goes wrong, but blaming others won't help you improve. If you say you hired Person X because everyone else also thought they were great, what will you learn from their later exposure as a disaster? Deflecting the blame for a bad hire is just creating an artifice to make you feel better. And every artifice, sooner or later, comes crashing down, with very bad results.

If you make the right calls half the time, you're above average as a CEO. Seriously! So there's no need to beat yourself up for getting a lot of them wrong. They're all just learning opportunities.

There will be days when you find yourself getting little or nothing accomplished. Maybe you're in a bad mood, or maybe you're just feeling lazy or exhausted for some unknown reason. Whenever that happens, don't make any significant decisions until you feel better the next day. Instead, look busy and try to leave work early to accelerate your recovery—and to set an example for others that they too can leave early occasionally. Or skip the entire day and call in sick.

I once left the office at 11:00 a.m. to go watch Eurovision,[98] and everyone wanted to know what had happened. Was I sick? Did I have a family crisis? I told the truth—I was skipping work that day because I wanted to see the show live, and there was nothing on my plate that couldn't wait another day. That showed everyone by example that it's okay to miss work sometimes for something personally important. And it gave everyone a chance to make fun of me about Eurovision.

Ultimately, there's one central question for your personal development: are you happy running the company? If you're not *thrilled* to be running it—not every day, but most days—you should seriously consider stepping down to do something else. As CEO you are so intertwined with the company that it will be bad for the entire company, not just for you, if you deep down would rather be somewhere else. But if *most days* are fun, and *most days* feel like you're on the road to success, you're in the right place.

Admittedly, it can be hard to answer this question clearly sometimes. There will be entire weeks when the job doesn't feel worth it anymore. You will have to take a cold, hard look at whether that feeling is due to a temporary setback that you can work through, or a permanent loss of enthusiasm.

By this point in the book, you may have the impression that being CEO is an immense amount of work (it is, almost always) and a ton of problems (sometimes, but not always). I've focused on what can go wrong because that's how I can best help you. But in that I've underplayed how often this role is *an incredible high*. Often your only complaint at work will be that there aren't enough hours in the day for all the things you

[98] The world's greatest song contest. I went to it in person five times.

want to do to move the company forward. On those days everything is going well, the future is bright, and you wouldn't trade the job for anything.

This book focuses on what can go wrong, what you need to do, what you need to learn. But it is providing a view of a small part of being CEO. Most of the time you won't need the advice provided here, or any other advice, because you all are rocking it.

I was lucky that most of the time, I went into work charged up and grateful for the best job I ever had. Windward competed against the big guys in our space and built a successful, growing, financially resilient company, without any outside capital. That was a rare and very gratifying accomplishment. I hope you can share that feeling—if not right now then someday soon.

And I'll close this chapter with a critical observation. Once I came to believe in myself, to follow my gut, to stay true to what I saw as the core values of the company and our strategy—the company started doing a lot better. Improving my personal development had a large impact on the improvement of Windward's results.

Chapter 16—If I could turn back time…

“And bad mistakes, I've made a few…” —Queen, “We Are the Champions”

“Experience is simply the name we give our mistakes.” —Oscar Wilde

“A person who never made a mistake never tried anything new.” —Albert Einstein

“Make glorious, amazing mistakes. Make mistakes nobody has ever made before. Do not freeze, do not stop, do not worry. Whatever you are scared of doing, do it.” —Neil Gaiman

This entire book has addressed various mistakes, big and small, that Windward went through and survived, but in this chapter, I focus on two specific categories of mistakes. First are “slow burn” problems that can build up over months or years, but may never escalate to a crisis point. The second are acute problems that lead to what’s commonly called in the tech startup world a “WFIO” moment—an acronym for “We’re Fucked, It’s Over.”

Every startup, successful or otherwise, will go through at least a few of both. You *will* fail to notice or appreciate some problems that lurk beneath the surface of your daily business activities, slowly draining away your potential. You *will* also fuck up, big time, in more dramatic ways that make you feel like your company and everything you’ve put into it (blood, sweat, tears and money) is about to vanish. I’m not talking about the occasional bad day; I’m talking about weeks or months of sheer terror and existential despair.

To borrow a lyric from Cher, if I could turn back time and do some things differently, here are the biggest mistakes we made at Windward—two slow burns and three WFIOs. Fortunately, Windward recovered from all of them, thanks to our determination to keep marching forward after every setback. There's no magic to getting back up after you've been punched in the gut. It gets easier if you remind yourself that these things happen to everyone. A setback or crisis doesn't have to mean the end of the company, let alone the end of the world.

Our biggest mistakes—not WFIO moments

The biggest issues that hurt us were not WFIO instances; they were decisions that reduced our success long-term. And because they were not this severe moment of "surmount the issue or die," they did not force us to address or even recognize it.

You've got to look for what is holding you back, figure it out, and address it. Because while the WFIO moments can kill you, the slow-burn bad decisions can reduce your success day after day, year after year. They aren't as intense in the moment, but they can be more impactful over the history of a company.

What do we really need to be great at?

So what's the single biggest mistake I made at Windward? I figured that since we were already great at product development, we should focus on getting great at marketing and sales. Not as big an issue during the years when Shirley took over as CEO as she focused on marketing and sales, and I was 90% focused on running product development. But once I became CEO again, I mostly turned my attention away from development as I worked to bring our marketing and sales up to a similar level.

As you saw in Chapters 7 and 8, both departments were deeply troubled for years, with lots of turnover of our sales and marketing executives. Trying to improve them was a slow burn problem—often a painfully slow process of two steps forward, one step back, one step forward, two steps back.

Yes, we improved both, slowly—painfully slowly. Improvement is good. But it was not a game-changer.

After about three years of frustration and grief, it hit me. Just as individuals tend to be great at some things, decent at others, and terrible at others, maybe the same is true of companies. Maybe a small minority of top companies are brilliant at everything, but the vast majority thrive by being excellent at just one thing.

So what if Windward was fundamentally a product-driven company? What if we switched our primary focus to improving and expanding our product line? And what if we acknowledged that we simply needed our marketing and sales functions to be decent, not world-class excellent?

Soon after we made this strategic shift, morale went up and productivity increased. And then, paradoxically, sales took off. Why? My theory is that when a company is making great strides forward that infuses everything. Everyone is charged up to do their piece. And that permeates everything: the marketing messaging, the sales conversations, everything. We're flying, we could all be proud of our amazing products and not worry so much about whether we were average in other respects.

I figured this out about three years after stepping back into the CEO job. Only three years to figure out and adjust for something so fundamental is okay. Not great, but not awful either. But it was a very painful, frustrating three years for all involved.

<u>How should we describe and focus on our core strength?</u>

Our other major slow burn problem started even earlier, when we were finding the language to describe our products and reach out to our earliest customers.

We started the company as Windward Reports, because the original product was ideal for generating reports. Most of our early customers called what they were doing with our product “reporting”—but it was actually Document Generation (docgen). We should have started using that language much sooner, and we should have dropped “Reports” from our name sooner.

Much more damaging than those communications mistakes were the strategic mistakes: primarily what products we decided to do next. For our next product we developed a new “business intelligence” product, built on top of our main docgen software. It was innovative and I thought it was good. But the market responded with a large yawn.

What we should have done at that time, about 14 years ago, was go all in on docgen. We already had a great docgen engine that our customers’ programmers could use to incorporate into their programs. The next key step would be creating a stand-alone docgen solution that didn’t require our customers to have any programmers involved. It needed to be easy enough that anyone at a customer company could use it to handle their docgen needs.

About 10 years after we might have first made that strategic shift, we finally did start to create a stand-alone, easy-to-use version of our docgen software. We did several iterations that got better and better, and our customers started to embrace it.

The next logical step, still playing to our docgen strength, was integrating our stand-alone solution with software made by other companies. We first integrated with

SharePoint—the locally installed version, not the hosted one, which was a mistake. But we then moved on to Salesforce and we were successful selling into that. When PDFTron acquired Windward, we were in the middle of doing even more integrations, with MS Dynamics, HubSpot, Marketo, and about 15 other apps.

We could have started down this road seven years earlier and been the first to offer this kind of integration. Unfortunately, I was stuck on the idea that since we had the engine and designer, those big products should license us and integrate. Well, guess what, they were busy with other opportunities. And the ability to integrate was right there for us. We finally turned to this market, but that was seven years where we could have been pulling in so many more customers.

Our WFIO moments

Now we come to the three WFIO crises which, while they threatened the existence of Windward, and were incredibly stressful at the time, were ultimately less impactful than the previous two mistakes.

Is there a company in this product?

Very early on, we had about six employees and sales were intermittent. Then we went several months with very low sales, long before we had enough existing customers to generate substantial income via annual maintenance fees. The sales pipeline was weak, and two of our three salespeople were incompetent.

Step one was realizing that we were headed for failure if we didn't change course immediately. This sounds obvious, but many companies wait too long—often a month or two—to even recognize a WFIO moment. Each day feels very much like the day before, so there's usually no *aha* moment. But the sooner you realize you're headed toward failure, the better your chances of surviving it.

Step two, we stopped spending on anything other than salaries and Google ads. Not a dime for any other expenses. I cut our VP of marketing to half-time at half salary. I also cut my own salary in half, but continued to work full-time, of course.

Step three, I fired the two incompetent salespeople and started working closely with the remaining good one, to help him any way I could. We became a full-service company for every prospective customer, giving them pretty much anything they asked for while they evaluated Windward's product. (At times we went too far and did too much, which stretched out the sales cycle.)

Step four, I suspended my rule against negotiating on price and offered some significant discounts to potential new customers, if they were willing to close quickly. I figured that in desperate times, a sale at 50% off was better than no sale, regardless of any bad precedent it set.

Combined, all these steps worked. Sales picked up. I brought our marketing VP back full-time. Then we started interviewing new salespeople and hired two, whom I worked with closely to get them up to speed.

Within six months, our sales had reached a sustainable level, and we were a going concern. I had always known that we had a good product, but now we had finally proved that we could build a real company around that product. We had pushed past a major threshold—from very small and fragile to less small and less fragile.

Getting through the Great Recession

Or next WFIO movement was the Great Recession. For the first six months after the financial crisis of September 2008, our sales continued as expected, so we hoped we would dodge any serious problems. But then, *bam!* Sales fell through the floor. We later realized that docgen software sales are a trailing economic indicator.

By this time we had a decent income stream of annual maintenance fees from existing customers, and most of that income continued. A few of our customers went under, but fortunately not too many. The real problem was bringing in new customers. Companies were holding on for dear life and not investing in any new software solutions, no matter how useful.

After estimating how much our sales revenue would drop, we laid off three people and cut almost everyone else's salary by 10%[99], including mine and Shirley's. You may recall from Chapter 13 how we used this crisis as an opportunity to cut the people who ignored our core values, and how morale actually improved.

Shirley and I also had to take out a second mortgage on our house and lent the company some money from our daughters' college fund. That was especially hard because it meant that we were betting our entire family's security on Windward. We were putting all our eggs in one basket. That's one downside of self-funding a startup: during a cash crunch you have no VCs that you can beg for an emergency cash infusion.

Fortunately, our projection of the degree and length of our sales decline was accurate. If sales had dropped even more, we would have had to significantly downsize, maybe all the way back to four people. And then who would want to join a company that

[99] We quietly told the people with the lowest salaries that their pay would not be cut.

was just limping along and seemingly doomed?

As the economy eventually started to pick back up, so did our sales. Within about nine months we undid the 10% pay cuts, and soon after that the company was able to repay Shirley and me for our emergency loan.

As I said in Chapter 13, if you're honest with your employees about what's happening during a WFIO, and if they believe in you, they will accept layoffs and pay reductions as a temporary solution. Not a single person quit Windward during this crisis.

Iceberg dead ahead!

Our third (and, thankfully, last) WFIO moment came a few years later, when I realized that our revenue and expense trends were steering our ship directly toward bankruptcy. We had maybe six months to turn it around if we wanted to avoid bankruptcy. And by making the change quickly and early, it made surmounting this WFIO easier. Time is often the most critical resource in surviving a WFIO problem.

After studying what was working, what wasn't working, and what we could be doing differently, I made three big decisions. First, we would stop working on a product called the web editor. We needed to reduce the number of products we were developing, and this one, which had made sense when we conceived it two years earlier, no longer looked like a good bet.

Second, the executive team, the board, and I agreed to switch from perpetual sales to subscription licensing, for reasons I explained in Chapter 5. We knew the long-term results would be positive, bringing in a higher and more dependable stream of income from our existing customers. But on the downside, we were guaranteed to have a significant drop in income for at least a year, possibly 18 to 36 months. In the software industry, the temporary revenue gap that results from converting to a subscription model is called “the valley of death.” Many companies go broke if they can’t cut costs deeply enough while waiting for revenue to recover. That made this decision especially hard.

So why make this transition when we were facing a WFIO moment and already had to lay people off to survive? For two reasons. First, we were late to the subscription model, which our competitors were already adopting because it generated a consistent revenue stream and more revenue in the long term. Second, I did not want to have to institute additional layoffs a year later to get through the valley of death. Better to have a single, larger layoff and get it over with.

Finally, during that same strategic review we concluded that an outbound sales strategy was never going to work for us. As I discussed in the sales and marketing chapters, we’d spent 11 years beating our heads against the wall, trying to pitch strangers into signing up for our software. Then Bob and Donny finally convinced me that the only time any company became interested in Windward was when they had an immediate need for a docgen solution. The need had to precede any sales pitch.

This should have been obvious after two years of futile efforts at outbound, maybe three years at most. But I was stubborn. Lots of enterprise software companies succeed with outbound sales, so why not us? Every consultant and expert I talked to told me it should work, and so did every book I read and every conference I attended. Surely we just needed to keep trying new approaches.

But just because everyone says your company should be able to sell or market or develop product a certain way, doesn’t mean it's true. Every company and every product is unique, and not everything that works for others will work for you.

I was also distracted by a long series of sales and marketing VPs who blamed each other for bad results, as you'll recall from Chapters 7 and 8. I was so focused on figuring out who was really at fault, and dealing with incompetent executives and sales reps, that I never stopped to rethink our basic strategy. I kept getting sucked into the details of sales instead of looking at the big picture. With a little perspective, I should have realized that even marginal sales reps should be able to close *some* outbound business, not none. And even marginal outbound marketing should bring in *some* quality leads, not none. The clues were right in front of me.

All these strategic changes required more cost cuts and layoffs across the board. If you ever want to confirm that you truly have a professional executive team, tell them that they have to do layoffs in each of their departments, including themselves in some cases, *and* manage the transitions for the people leaving, *and* keep morale up among those who were staying. I already greatly respected Margarita, Bob, Donny, and Ari at this point, but their clutch performance during this WFIO proved that they were all outstanding executives.

You can't predict your own slow burns or WFIOs

I hope you will find these examples useful if you hit any similar situations, but of course your slow burn problems and WIFOs are unlikely to look like Windward's. They will depend on your unique products, industry, people, and a thousand other factors—including the randomness of the national and global economy.

You won't be able to predict most of those factors, so don't beat yourself up over could've, would've, should've. Usually the best you can do is keep scanning the horizon for serious problems, then confront them head-on as soon as you see them, even if that requires awkward discussions or terrifying decisions. Once you figure out the source(s) of your problems, focus on whatever you need to do to adjust your strategy, tactics, and people. Take a deep breath and tell yourself that having a slow burn or WFIO doesn't mean you're a bad CEO. They happen to all of us, and most of us get through them.

Just make sure that when that once a big problem has been addressed, you've learned from whatever mistakes may have contributed to it. Making mistakes is expected for any ambitious executive or CEO—but making the same mistakes over and over is just being stupid.

Conclusion: Twelve rules for CEOs

> *"It is not the critic who counts; not the man[100] who points out how the strong man stumbles, or where the doer of deeds could have done them better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs, who comes short again and again, because there is no effort without error and shortcoming; but who does actually strive to do the deeds; who knows great enthusiasms, the great devotions; who spends himself in a worthy cause; who at the best knows in the end the triumph of high achievement, and who at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who neither know victory nor defeat."*
>
> *—Theodore Roosevelt*

In Conclusion…

Hey, you made it to the end of the book! I hope you've found it an interesting read throughout and useful in your efforts to improve as a CEO. My main goal was not to teach you any specific practices, but to help you realize that you'll inevitably get a lot wrong, you'll fail a lot; it's completely normal. When you experience failures, don't beat

[100] Again, good advice for all genders.

yourself up, and don't let whatever critics on the sidelines say make you think you're not up for the job. What the fuck do they know?

You are the man or woman in the arena, as Teddy Roosevelt put it. Even if you take every word of this book to heart, much of your education about being a CEO will still have to come the hard way—by trying and making mistakes.

Before we wrap up, I want to leave you with a summary of the twelve most important things I've learned about being CEO. Yes, I know I've told you that no one ever remembers more than three things at a time. But being a successful CEO takes more than that, so suck it up and try to internalize all 12.

1) Trust your gut.

Whether your gut is yelling YES or NO, listen to it. Figure out why it's speaking so loudly. Listen to others, then balance their opinions against your gut feeling. As best you can, combine all this input to make a rational decision. But the really important decisions—including what the company should be and how to get where you want it to go—will be hard to calculate rationally. They will have to be fundamentally emotional decisions, and that's fine. A different CEO will have different goals than yours, and might reach very different conclusions from the same facts. But your goals, and your gut, are what's right for your company.

2) Build and protect the culture you want.

In Chapter 3, I stressed that you need to try to build the culture you want from the start, before it gets hijacked by other people. Once you grow bigger than ten people, it will be hard (though not impossible) to reshape the overall culture. So start early.

A key part of culture is being ruthless about firing people who recklessly and repeatedly ignore your stated values. If employees can treat your values as merely suggestions, not requirements, the culture you want will dissipate. No one will live up to your values perfectly, all the time, but fire anyone who is actively antagonistic to those values. They're poison.

3) Hiring decisions are your most important decisions.

If you're mediocre at hiring but get everything else perfect, you're going to fail. You need to constantly strive to hire brilliant, motivated people who will move heaven and earth to move the company forward. They're hard to find and hard to keep, so you can never stop looking for them.

The corollary is that you need to fire chronic underperformers quickly, as we saw in Chapter 13. Sometimes you can transfer people to another role where they'll be a better fit. But if you have a consistent B-level player or someone with a constant negative attitude, you will save time and suffering if you just fire them. Keeping them around won't save you the effort of replacing them—it will just delay that effort.

4) Never take over responsibility for another person's work.

You may be tempted to jump in and save people who are struggling, but that's not going to help them succeed. It will just allow them to avoid responsibility for their work, even if you phrase it as assisting them.

This is especially true for your executives or department heads. I found that good executives pushed back if I did things that even hinted at trying to take over part of their responsibilities. But the lousy ones were happy to let me take over some of their work—virtually handing it over with both hands.

This does not mean you can't make suggestions; you just need to make it clear that following your suggestion is not a “get out of jail free” card. In other words, if they take your suggestion and it fails, they still own responsibility for that decision. Making a suggestion or even a contribution (such as adding new features to a product) shouldn’t change who is responsible for that work.

5) Listen to everyone.

Remember that you have no monopoly on good ideas, so you want everyone to feel empowered to make lots of suggestions. Some will be wonderful, others will be dumb, but they all add value as food for thought. Another benefit: people really, *really* appreciate having their ideas respected and considered. So listen to everyone, think about what they say with an open mind, and let them know that you appreciate their thoughts.

And when someone is pointing out that one of your ideas is a mistake, listen with a very open mind. It’s brave of them to tell you you’re wrong and for that alone you should respect them. In addition, most of the time they’ve, at a minimum, identified weaknesses to address in your idea. And sometimes, they’ve identified why you should give up on something you’re proposing.

In short, surround yourself with people comfortable telling you when they think you’re making a bad decision. With that said, they also need to be good with accepting the decision made and then do their damndest to accomplish it.

6) When planning strategy, focus on what the company is already good at.

This contradicts the conventional wisdom to improve on your weaknesses. But having taken both approaches, I’ve found that playing to your strengths provides a much better return on investment. In fact, it can double your performance in just a year or two, whereas trying to improve your weaknesses might give you a 10% improvement.

A good strategy addresses all the components of the company and is best designed to move you forward to greater success. Put in the effort to make sure it's well thought out, clearly articulated, and then followed by everyone. That can make all the difference between achieving the success you want and just doing a bunch of random shit.

7) Stress to everyone that it's not their job to make you happy.

Repeat it again and again, as often as it takes to sink in. Their job is not to make you happy—it's to do whatever is necessary to move the company forward, in line with the company strategy. Actions that move the company forward might make you happy in the moment (such as closing a big sale)—but they also might make you angry or frustrated (such as disclosing an unexpected new problem). People naturally hate to share anything that upsets the boss, so many companies fall into a culture of silence, and problems get swept under the rug.

Make it totally clear that you greatly appreciate hearing about problems, even the ones that are very upsetting, and that you will never shoot the messenger.

8) Admit your mistakes—loudly.

You want a company where people are willing to take large risks, and where mistakes are corrected as soon as they are discovered. You also want everyone to feel good about disclosing those mistakes, so everyone can learn from them.

Making this part of your culture requires 1) convincing people that no one will be punished for disclosing innocent mistakes, and 2) setting an example by admitting your own mistakes promptly, fully, and loudly. Everyone will know when you screw up anyway, so not admitting your mistakes won’t hide your failures; it will just signal to everyone that whatever you said about full disclosure was B.S.

9) Remember the definition of insanity.

You’ve probably heard that insanity is doing the same thing over and over and expecting different results. If you try ten different approaches over three years to achieve some goal (in our case, outbound sales) and nothing works, that avenue is not for you. It doesn’t matter if it *should* work, in theory, or if it works for all your competitors. For whatever reason, it’s not going to work for your company and any additional effort on that path will be counterproductive.

Keep in mind that when we dropped all outbound sales efforts at Windward, our sales went up, significantly and consistently. Probably for several reasons, but I believe one large reason was that we stopped wasting effort on tactics that just didn’t work.

10) Stay humble.

When the CEO sneezes, everyone in the company comes down with the flu. What you say, what you do, what you believe—all will have a gigantic impact on the success of the company. In that kind of environment it’s easy to get a swelled head and think you’re amazing. Stop that! You’re not. You need to remind yourself that you’re just as fallible as anyone else. In fact, you’ll be wrong more often than you’re right. So be humble, and give the spotlight to the various employees who contributed to every success.

As an example, during the year after I took back over as CEO, we had awesome sales—our fastest growth rate in the company’s history. Clearly, I was an amazing CEO! But the following year our growth was much slower—one of our smallest increases ever (though thankfully still positive). Fortunately, I didn't try to claim the credit for that excellent year—I gave it to all the employees and especially to Shirley, who complemented my skills so well and kept the company from failing countless times.

So if you ever start to think that you're amazing, and the company's success is all due to your brilliant leadership, hit pause. It's really because you got everyone working together, and they, your team, achieved the success.

11) Don't try to fix everything at once.

This one is simple: if you try to fix every problem at the same time, you are unlikely to succeed at any of them. Work on just two or three problems at a time, so you'll have the bandwidth to give them enough attention. Once those are going well you can move on to solving the next challenges.

12) Remember that there are more important things than money.

This one is easy to say but often hard to practice: Don't put the company's success ahead of other things that are ultimately more important, including your health, your family, and your friends. I'd even add having fun to that list.

Yes, people start businesses to make money, but the real joy of being CEO is in creating and growing something amazing. Most of the time things are going well and the job rocks. Enjoy those times. Savor them. That's what makes it all worth it.

Selling Windward

I started this book by telling you about the time we got an acquisition offer that was too good to turn down. Here's the rest of that story.

When we started getting serious acquisition offers, Margarita was amazing in helping me figure out what level of offer was worth taking seriously. That helped me turn down several offers that were too low. But then PDFTron made an offer that met our calculation of Windward's value.

I didn't want to sell. I loved the job, the company, the workplace we had created, and the customers we served. But Shirley and Margarita convinced me that accepting this offer would be life-changing for every employee, which had to outweigh my personal reluctance to give up my baby. The sale would allow many to pay off their college loans, or their mortgages, or afford down payments on houses. Since we never had any outside investors, 100% of the purchase price would go to Windward employees, ex-employees (those who had believed in us enough to exercise their stock options), and advisory board members, so it was substantial money for all of them.

For me, all the good that would come from the sale eased some of the sting of selling. And of course it would be life-changing for me and Shirley as well. There had been times over the years when we were so stressed about our finances, which were completely tied to Windward's fate, that we couldn't sleep at night. We'd never have those worries again.

After I agreed to the acquisition, the next two months were a whirlwind as PDFTron performed their due diligence. Fortunately, our finance team had everything so well documented according to GAAP, with no questionable accounting tricks, that the due diligence process went smoothly. There wasn't even a hint of improper mingling between the company's books and my family's personal finances. PDFTron's accountants looked very hard, asking us for more and more documentation, and they seemed surprised when they couldn't find anything even slightly suspicious.

And the truth is, there wasn't anything questionable. In fact, I had to defend my expenses to accounting on business conferences a couple of times. (They allowed it each time—ha!)

Getting acquired is a key time where you really learn how good your finance team is. Having people who understood everything an acquirer would want to see, and having it ready to go in the form the acquirer wanted to see it, was a gigantic advantage. You'll have a much smoother and faster acquisition if everything is at hand and there are no hidden landmines in your financial records.

Life as a former CEO

For the first six weeks after closing, I focused on getting Windward integrated into PDFTron's management for finance, sales, and marketing. I felt good about the competence of the PDFTron executives who would be taking over those departments. After that I was still managing Jim, our head of product development, but my role as CEO of Windward had shrunk dramatically. Yes, I was still making contributions, but I could see that my position wasn't essential anymore. It was time for me to move on.

Even though I was no longer excited to go to work every day, it was still very hard to say goodbye to Windward, my home for the previous 15 years. There were a lot of tears all around. But I told the employees that Windward would continue to thrive as a unit of PDFTron, and I believed it.

During my first few days of retirement, I felt so lost that I desperately wanted to start another company. Being CEO is as addicting as crack cocaine. It gives you a high you can't get from anything else. When the company is flying—you did that! I wanted to feel that rush again.

While jumping back into the saddle might be the right move for other CEOs after selling their startup, I soon realized that it would be a big mistake for me. I wasn’t in the right frame of mind to start over from scratch. So I shut down my embryonic idea for a new company, and resolved to never start another. That would force me to do something different—which (for now) has been writing this book.[101]

Organizing my stories and ideas in this book has helped me process my entire experience at Windward, and capture all the takeaways I learned the hard way. I hope it will help others (including you!) achieve greater success at their own startups.

I wish you all the best as you continue your journey as a CEO. Believe in yourself and have fun.

[101] I’m also working on two other things—neither is a startup.

Suggested additional reading:

- *The Hard Thing About Hard Things* by Ben Horowitz
- *Do More Faster* by Brad Feld and David Cohen
- *First, Break all the Rules* by the Gallup Organization
- *Work Rules!* by Laszlo Bock
- *Certain to Win* by Chet Richards
- *Start With Why* by Simon Sinek