How Founders and Their Successors Can
Avoid the Clichés That Inhibit Growth

DON'T F K IT UP

LES TRACHTMAN

MESSING WITH SUCCESS

*"Don't f**k it up!"*

It was the autumn of 2008 and the global economy had cratered.

At the time, I was several quarters into my tenure as the new COO of a company in the government-procurement industry, and my work there had just begun to bear fruit. We'd improved our gross margins and the bottom line was growing. But the credit crisis suddenly put us in a very precarious position, as it did with many other companies that fall. We urgently needed to make some bold moves to accelerate our pace of change. Our borrowing capacity was not sufficient to fund our sales growth. Even with increased sales volume our margins were not sufficient to generate ample enough profits. Our systems and our processes needed an overhaul to handle the larger order volume.

The company's founder was a larger-than-life charismatic leader.

He was happy with the progress we'd been making, and although he understood the need for fast action in the face of crisis, he was also very nervous. Change meant we would be breaking from the script he'd created and followed since the company's beginning. One day when we were wrapping up a conversation about the changes, he ended with a few words of caution.

"OK," he said, "but don't f**k it up."

I didn't pay much heed to his words in that moment, but the strain in his voice—joking and at the same time deadly serious—remains a vivid memory. I had heard the founder utter the phrase casually to others in the company. It was his small way, I assumed, of dealing with his feelings of discomfort when giving up control. My guess is that if you've never said this in a joking way to one of your key employees, you've probably thought it.

Over time, however, I've come to realize that seemingly harmless little comments like "Don't f**k it up," "Get it right," or even "Be careful" are among the worst things you can say to an employee. That's because while you may say it as a joke, your employees will hear it very differently. They hear "Don't fail—or else."

They hear you warning them not to take risks, not to try new things, not to attempt anything that might not work.

Is that what you want your employees' marching orders to be? Not if you want to grow and scale your company. You want them to show initiative and take measured risks that yes, occasionally, might not work. There are always unforeseen challenges involved when you blaze new trails, and the people you've hired need to know in advance that it's OK while trailblazing to hit some dead ends and even fall off a few cliffs.

WHY YOU NEED TO F**K IT UP

The irony is that every founder knows the need for innovation very well. You created new value in the market by doing things others couldn't or wouldn't do, and you suffered plenty of foul-ups and failures along the way. Growing your business requires your employees to advance with that same spirit of adventure and discovery. Teams innovate and grow their abilities when they are free to experiment and then collaborate on solving the new problems exposed by their setbacks and failures. You want to challenge your team to try things that might fail at first. You want them to become adept at recognizing failure quickly, regrouping, and then trying again. But then realize success.

Success is the brass ring for entrepreneurs. It's what you put in all those long hours for. It's how you keep score. It's how you build wealth and make your investors money. And if you are not careful, it can be what causes your demise.

Whenever you read about a company becoming "a victim of its own success," you'll find this kind of "Don't F**k It Up" culture. Companies squander their early competitive advantages and then disappear because great success in one narrowly defined area can squelch debate and foster a risk-averse mind-set among employees. The founder's comment, "Don't f**k it up," didn't really slow me down because I had known him for years and I was confident about our strategy. Most other people in the company, though, would likely take those same words to heart, as a warning from the big boss. And that can be a big problem, because employees who are taught to mistrust their own instincts are not very likely to trust their colleagues' instincts, either.

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Fear of failure can easily poison a company culture. Team-building efforts are useless when everyone's first imperative is CYA—cover your ass.

WHEN SUCCESS GOT IN THE WAY

Dominance in minicomputers made Digital Equipment Corp. (DEC) one of the most profitable companies in the world in the late 1980s. Led by Ken Olsen, its founder, DEC's minicomputers helped usher in a new era in computing, overtaking the once-dominant mainframe. In 1986 Olsen was named America's most successful entrepreneur. It wasn't long after that that Olsen forgot the lessons of his past and shielded himself from anything that might disrupt his own empire. Instead he believed that "the personal computer will fall flat on its face." Obviously, he was dead wrong. The PC flourished, with Digital Equipment missing that revolution. DEC was unceremoniously absorbed into Compaq Computer Corporation some six years later, a victim of its prior success.

Kodak was one of the world's most admired brands in 1996. Its market dominance in film enticed its out-of-touch management team to hang on to obsolete assumptions about the advantages of film-based photos over digital intruders. It might have considered letting the new generation of digital entrepreneurs within Kodak take the reins. But it never believed its empire was at risk or managed to wean itself off its revenue stream from photographic film. Kodak filed for bankruptcy liquidation in 2012, paralyzed by its past.

In 2000 Reed Hastings, the founder of what then was a fledgling company known as Netflix, had the gall to suggest a business partnership to John Antioco and his management team at Blockbuster Video. Antioco is no dummy. At the time, in fact, Antioco was viewed by many as a retail genius. But during Hastings's visit, Blockbuster was feeling pretty insular and didn't believe that this almost unknown company's innovative business model offered any value. In fact, it was reported that Hastings got laughed out of the room. Who is laughing now? Blockbuster went bankrupt in 2010, and Netflix is worth almost $70 billion.

We know there were many people inside each of these companies with bold ideas and the ability to make strategic pivots away from fading sources of revenue, but all of them were hamstrung by their leadership's choruses of "Don't f**k it up!"

"I know more about this company than anyone ever will."

The founder's attention to detail was legendary. From the time he founded his financial services software company, he was intimately involved in virtually every decision that needed to be made, and those decisions had set the stage for the company's success. He was one of those founders who could truly claim that no one knew his company as well as he did.

I came aboard to take over the role of CEO to help this founder, whom we'll call Elliot, take the company to the next level, as it was the kind of fast-growing company with strong fundamentals that could attract the interest of strategic buyers. Once I was there,

though, it didn't take me long to recognize that we'd never reach our goal as long as Elliot remained the master of all detail.

One day I was talking with Elliot as we walked past the employee kitchen area when he interrupted me to point out something that had been bothering him. He'd seen tens of milk cartons of several different varieties in the refrigerator, and he wondered how we could possibly need all of this. He recalled the days when one container of regular milk would have sufficed.

I figured this was the perfect moment to set some new boundaries for Elliot's attention (even though I would have much preferred to finish our prior conversation). I told him that if he truly wanted us to succeed in the task I'd been hired for, we should never again discuss the employee kitchen. In fact, I suggested that from now on, he should try not to bother himself with any question that put less than $100,000 worth of company resources in play.

I can't ask you to stop worrying about little things. It's like telling someone not to think about pink elephants. Tiny details would always arise in your mind because your relationship to your business is so intimate. Elliot hadn't yet formulated a strategy for dealing with those thoughts. That's why the bright-line boundary of $100,000 turned out to be an excellent tool for maintaining his new focus: "Is that the exact PMS color of our logo?" Is that a $100,000 issue? No? Then forget it. Like most entrepreneurial minds, Elliot's was both voracious and decisive—as long as it had a target to hit. The $100,000 figure gave him that focus.

Drawing a bright line on such matters can be crucial to developing the mental discipline required for scaling your company. I've found that if you can develop a rule of thumb that truly resonates with you, like an arbitrary dollar figure or perhaps an organizational level ("Nothing done more than two levels below me is worth

worrying about"), then you can cut way back on how much of your precious time and attention is wasted on trivia.

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That day in the employee kitchen, Elliot had interrupted what could have been an important discussion with his new CEO to ponder the company's milk expenditure. He will never know what valuable thoughts he didn't think during the minutes when he weighed the relative merits of cutting back on the milk options.

It's not easy to step back from your natural habit of having a hand in everything. You built your organization by sweating every detail, and now it feels unnatural to start ignoring those details. Then, once you truly leave those details to other people, you face yet another challenge, because those people are guaranteed to make a lot of mistakes.

LET THEM FALL, SO THAT THEY CAN SOAR

Elliot and I often discussed how, in order to meet his goals, people were going to do things in ways he'd never agree with, and some things were going to get f**ked up. But, at the risk of sounding paternalistic, the process of building a team is not that different from raising a healthy, self-sufficient child. It's not possible to be there with them constantly to ensure that they do the right thing all the time. You need to trust that with the right guidance they won't get themselves in too much trouble. And when they do get in trouble, when

they fall and skin their knees, it's your role to help without being judgmental. You want them to learn from their mistakes and the resulting painful consequences.

The other important benefit of ignoring these low-level concerns is that it helps your team take over responsibility for them instead. That's how you slowly grow the decision-making muscles necessary to attain scale. The milk question was emblematic of a much larger problem at the company. Elliot's employees had helped feed his mania for details by going to him when they were making even the smallest decisions. The $100,000 mark was a helpful tool in that regard as well. He had to train himself to stop caring about countless small decisions he used to spend days obsessing over.

As a founder, it is completely natural to respond to a question posed to you by an employee or to quickly jump in to solve a tough problem. When you do, you fall into a trap. Making quick, decisive decisions is always faster, easier, and usually results in better decisions. But it encourages reliance on *you* rather than on an employee's own intellect and capabilities. Pausing to realize that not making a decision, though it may be painful, is the kind of tough love required to help employees build their own decision muscles will be an important ingredient of your organization's growth.

Mistakes can be uncomfortable to witness, and waste can feel even worse. Personally, it drives me crazy to see employees squandering company resources, whether it's the choice of an expensive hotel while traveling on business or leaving the office air-conditioning pumping all weekend. I remind them to be frugal with the accessories we purchase for our computers, subscriptions to unnecessary services, or overnight delivery when we can wait an extra day, but at the same time I try not to involve myself deeply enough in minutiae

to know just how much they may or may not be wasting. If I did that, I'd be wasting two things that are much more valuable—my time and my attention.

So, instead of attempting to monitor wasteful behavior, I try my best to do what leaders are supposed to do, which is to set the tone for the entire company. The best way to promote respect for the value of company resources is to make sure you exhibit that respect yourself.

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For instance, I make sure that my own expenses and reimbursements are more than reasonable. I don't stay at expensive hotels when traveling on business, and I often drive for six or seven hours to business destinations if flights are too expensive. And when my cell phone failed to survive a quick dip in the Severn River one day, I learned that I could save the company $600 if I waited 30 days to replace it, when my cell-phone account became upgrade-eligible.

The next morning, everyone in the office knew the reason why, for the next month, I would be using my iPad as a clumsy cell-phone substitute.

"I could have told you that would happen."

Our management team toured the battlefield at Gettysburg for a leadership exercise about how the battle was fought. We climbed

up the ridgeline known as Little Round Top and paused to hear a reading of the speech that Union Colonel Joshua Chamberlain gave to his 20th Maine Regiment before the first day of battle. The monument to that regiment is one of the most popular at Gettysburg because of the famous do-or-die spirit with which the 20th held its ground.

Little Round Top sat at the extreme left flank of the Union line, and a collapse of that flank would have been disastrous for the rest of the Union Army. General Strong Vincent gave Chamberlain explicit orders to "hold this ground at all costs."

This clear statement of intent led to one of the most famously valiant episodes in the three-day battle. On the afternoon of July 3, with Confederate forces making their way up Little Round Top, Chamberlain's men ran out of ammunition. The rebels were firing their guns just 30 yards away when Chamberlain and his fellow officers led a downhill bayonet charge. A Confederate officer aimed his pistol at Chamberlain's face from a distance of just a few feet, but the gun misfired. Sharpshooters from another Union unit arrived in the nick of time to scatter the remaining Confederates.

It was nearly a religious experience for me to walk in the footsteps of the brave soldiers who fought that battle and literally changed the course of American history. The sum effect of General Vincent's clear orders, "hold this ground at all costs," motivated Chamberlain to lead his men to make a bayonet charge with no ammunition. They were told they could not afford to fail, and so they summoned the courage to succeed. Little Round Top was held, and the next day the Confederate Army retreated from Pennsylvania, never to return.

This fundamental leadership imperative, of offering clear goals and clarity of intent, is the most important tool you have in resisting

your natural entrepreneurial urge to involve yourself in every little decision that affects your company. General Vincent knew he couldn't be at Little Round Top himself that day, and with no cellphone service, he entrusted Chamberlain to do his job. But he didn't leave it to Chamberlain to imagine what that job was, or what success looked like. He drew a vivid image of that day's objective—hold the hill at all costs.

On the opposite side of the battle, we learned that General Robert E. Lee was not nearly so clear in expressing his own Commander's Intent, and to this day some scholars believe the South could have won at Gettysburg and perhaps the entire war if Lee's communications to subordinates had been more explicit. The Northern defenses were centered on what was known as Cemetery Hill, and on the first day of battle Lee sent a courier to Colonel Richard Ewell with written orders to take the hill "if practicable, but to avoid a general engagement until the arrival of the other divisions of the army." Having been offered the option of waiting, Ewell decided to rest his tired troops. By the time Ewell finally attacked, on days two and three of the battle, the Northern troops were so well dug in on Cemetery Hill that the Confederate attacks were repulsed with heavy casualties.

Commander's Intent is important for precisely the reasons encountered by Chamberlain. No strategy survives encounter with the enemy.

"No strategy survives encounter with the enemy."

In business as in war, the commander is not always standing

alongside his colonel, able to change direction when his initial strategy fails. A clearly articulated intent empowers the colonel to make his own decisions without having to wait to consult with his commander—the results of which would have been disastrous for Chamberlain and the Union Army.

The Civil War generals didn't have modern communications at their disposal, so they were ultimately reliant on the judgment of their subordinates on the ground to interpret their commands. Our access to real-time communication, however, can be a trap. It tempts us to stay tethered to our organizations and to try to monitor the tiniest details—until organizational scale overwhelms us.

Founders would be much better off these days if they allowed their managers to improvise, much as Chamberlain did on Little Round Top, and use their modern communications only to provide better and clearer goals and objectives. Micromanaging can often be an excuse for not developing and committing to mid-range and long-range goals. It can also serve as an excuse, changing your mind about what's most important from one day to the next. A lot of founders run small companies that way, and they never scale those companies because it's impossible to run a larger company on the basis of what the founder is feeling that particular day.

TRUST AND VERIFY

One of the ways that a founder I know well got over micromanaging was through a phrase borrowed from Ronald Reagan: trust and verify. He worked hard to hire the right people and trusted that he'd given them the right direction to accomplish their objectives. The "verify" part involved determining what were the key indicators of success and progress toward those objectives. This is how you harness real-time data and instantaneous communication to scale your

company. Agreeing on these indicators in advance enables your managers to offer you a clear line of sight to their results while keeping your nose out of their details.

It's important to be sure you pick a small subset of the right data to pay attention to. Recently, I ran into this situation at my own company. I wanted assurance that our clients' information that we store in our data cloud was arriving each night. I asked for a report that would tell me if there was an error. Instead, what I received was a long list of all of our clients and all of the data that was received by our cloud each evening, making it extremely time consuming to sift through this data for the validation I was seeking. When I pushed back, I heard groans and complaints about how all this data was necessary for those responsible to make the correct decisions. They didn't realize that I was in fact trusting them to make the right decisions and all I wanted was validation that my trust was well placed. I just wanted to know if the system worked.

One of my former board members who ran a fast-growing software company in Charleston, South Carolina, did something very similar to avoid his temptation to micromanage his sales team during a critical time when the organization was headed toward an initial public offering. The board member wanted to stay on top of how things were going, but he didn't want to be involved in every major sales transaction leading up to the IPO. So he and the sales management team agreed that he would get the following discrete information:

- average size of a transaction
- average duration of a deal through the pipeline
- number of deals entering the pipeline

- number of opportunities that entered the pipeline and converted to actual deals

He asked to be informed on an agreed-upon frequency on whether any of these metrics had begun to waver. He posted the results on the wall in his office, ensuring that his generals were keenly aware of his interest. "People respect what you inspect," he told me.

"People respect what you inspect."

The rest was left up to his team, which performed impressively and produced the desired results. The company ended up going public, and shortly thereafter the founder relinquished the CEO role to the executive formerly in charge of sales. And that successor CEO has gone on to lead yet another company.

That, in a nutshell, is the opposite of micromanaging. It might be called macro managing, but hardly anyone uses that word because there's already a better and more familiar word for it: *leadership*.

"Next time run these things past me."

I always wake early, and while indulging in my first medicinal coffee of the morning I read through email from the night before, clearing my inbox for the day ahead. One morning I noticed a celebratory email from a sales associate named Linda, announcing that an important client had signed and returned its multi-year renewal agreement. Her note exuded how she had accomplished this well in advance of our goals.

My elation over Linda's success rapidly turned to despair, however, as I read the details of the attached agreement. It was hardly a surprise that the renewal had gone through so quickly, because the agreement set our price far below that of our existing deal. Linda had not taken the time to understand the relationship with that client we had built over the past four years. By making an assumption, rather than researching the facts, she had misstated the price, and unless we fixed it, the loss would be sizeable enough to have a material impact on our annual revenue.

I just couldn't understand how this could have happened. We had gone over this specific situation the day before, and I was fully convinced that my intentions and directions were clear. I finished my coffee and got ready to head into the office. Questions ran through my mind during the drive. Should I have taken the time to check Linda's work and gone over the renewal before it went out? Was it too early in this employee's tenure to trust her to get this right?

But I also knew that to grow the organization, I would need to step back from doing things myself. When you do that, and trust people to do their jobs, inevitably some of them will breach your trust. Even if you are certain you've clearly stated your expectations and are satisfied your staff is fully trained, on some days you will be let down.

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I wasn't sure what to do. I was angry and I knew that wasn't going

to help. I knew there was no time for self-pity. I needed to take ownership of the damage done and make it right. In this case an important client would have to be told about the mistake and we would have to eat crow to buy back our error. In my conversations with Linda, I knew she felt awful. It was also clear that our customer was going to be disappointed. We had to undo this damage in a way that would lead to as positive an outcome as possible.

I confronted Linda as unemotionally as I could and discussed where the error had been made. There were multiple contracts that defined our relationship with this customer, and there certainly was room for confusion for someone who was not tuned in to the entire customer relationship. And then I remembered a phrase that I often use when we communicate with our clients and recited it silently to myself. "If you are communicating with someone and they don't get it, it is *your* fault, not theirs." Hearing my own words reverberate in my brain convinced me to absolve my employee from the blame. I committed to harnessing my emotion into a teachable moment.

If Linda was going to learn anything from this experience, I asked her to give me a plan on how she proposed remedying the situation. We discussed having an honest conversation with the client about what had gone wrong. We decided that we'd get the best result by addressing both our internal and external issues as directly as possible. Against my protest, Linda took ownership for both the screw-up and its remedy. Our customer turned out to be very understanding and accepted her apology, and since that episode I'm happy to say that Linda has grown in confidence and capabilities and the customer has renewed under the corrected terms.

THE IMPORTANCE OF AN AFTER-ACTION REVIEW

After things cooled down, I brought the team together with Linda to perform an "after-action review." The term comes from the US Air Force, where teams routinely assess what they can learn from the outcomes of their most recent mission. They hold a timely, objective, no-judgment appraisal of what happened, where performance could have been better, and then collaborate on an action plan to address the areas requiring improvement. The Air Force culture is built on the assumption that the surest way to compound an error is to ignore the opportunity to learn from it.

For us, the review of the mistake took less than twenty minutes. We recognized that before we communicate with a customer, we should insert a pause and review their contract file. In that way, if there was confusion, it could be raised prior to engaging the client. The process was quite a catharsis for Linda, and it also demonstrated to everyone that while it is certainly painful to screw up, it isn't fatal. Out of this terrible mistake that had made me so angry over my morning coffee just a week earlier was a renewed *esprit de corps* in which learning from mistakes is part of our company culture. The trusting relationship we had built with the client enabled us to bridge this issue and complete the contract at the correct price.

I know of at least one company where the founder used to make mistakes a cause for celebration. He would announce mistakes that his direct reports had made in a company-wide meeting that functioned a lot like after-action reviews. They were intended to identify how and why the underlying decision went wrong, in order to make meaning of the resulting failure. The founder usually made certain to compliment the effort that led to the error—making it clear

that trying new things in the face of risk was vital to the company's growth.

Promoting a culture that encourages risk taking, questioning the status quo, and even challenging the company founder is the best prescription for healthy growth. You want to embrace the kind of executives who have enough guts to call your baby ugly if that's how they see it. Exhibiting the confidence to bring others into your organization who might just disagree with you is a critical ingredient of scaling.

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There are many strong-willed founders who can't tolerate this kind of environment, much to their detriment. Too many founders with early success develop a belief system that they know better than anyone, that they are always right—right enough to stop soul searching or listening to others. Founders of this kind often protect their fragile egos by hiring friends and family members who don't dare question the boss, because they know their main function is to exercise loyalty, not competence. Then, when a mistake happens, the founder can't possibly hold an open and honest review of the problem because it might expose the ineffectiveness of his loyal inner circle. The overall effect—one that smells a lot like hubris—can sow the seeds of doubt and dysfunction throughout the organization, and inevitably lead to the founder's downfall.