

# Notebook - The Hard Thing About Hard Things

kindle

Horowitz, Ben

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## Loc 75 | Highlight

The hard thing isn't setting a big, hairy, audacious goal. The hard thing is laying people off when you miss the big goal. The hard thing isn't hiring great people. The hard thing is when those "great people" develop a sense of entitlement and start demanding unreasonable things. The hard thing isn't setting up an organizational chart. The hard thing is getting people to communicate within the organization that you just designed.

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That's the hard thing about hard things—there is no formula for dealing with them.

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## Page 2 | Highlight

red-diaper

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## Page 4 | Highlight

Until you make the effort to get to know someone or something, you don't know anything. There are no shortcuts to knowledge, especially knowledge gained from personal experience.

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## Page 4 | Highlight

worked hard to avoid being influenced by first impressions and blindly adhering to convention.

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## Page 4 | Highlight

In high school football, being able to handle fear is 75 percent of the game.

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## Page 5 | Highlight

Colin Powell says that leadership is the ability to get someone to follow you even if only out of curiosity.

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**Page 5 | Highlight**

Looking at the world through such different prisms helped me separate facts from perception.

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**Page 20 | Highlight**

During this time I learned the most important rule of raising money privately: Look for a market of one. You only need one investor to say yes, so it's best to ignore the other thirty who say "no."

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**Page 21 | Highlight**

Marc: "Do you know the best thing about startups?" Ben: "What?" Marc: "You only ever experience two emotions: euphoria and terror. And I find that lack of sleep enhances them both."

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**Page 28 | Highlight**

things are always darkest before they go completely black."

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**Page 29 | Highlight**

If you are going to eat shit, don't nibble."

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**Page 32 | Highlight**

said, "Did I ask for this presentation?" Those were the first words I spoke as I made the transition from a peacetime CEO to a wartime CEO.

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**Page 35 | Highlight**

Needs always trump wants in mergers and acquisitions.

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**Page 36 | Highlight**

"Gentlemen, I've done many deals in my lifetime and through that process, I've developed a methodology, a way of doing things, a philosophy if you will. Within that philosophy, I have certain beliefs. I believe in artificial deadlines. I believe in playing one against the other. I believe in doing everything and anything short of illegal or immoral to get the damned deal done."

**Page 36 | Highlight**

going past the deadline was a better move than not having one.

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**Page 38 | Highlight**

“You need to stay home and make sure everybody knows where they stand. You can’t wait a day. In fact, you can’t wait a minute. They need to know whether they are working for you, EDS, or looking for a fucking job.”

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**Page 38 | Highlight**

If we hadn’t treated the people who were leaving fairly, the people who stayed would never have trusted me again.

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**Page 40 | Highlight**

we had to get into the broader market in order to understand it well enough to build the right product. Paradoxically, the only way to do that was to ship and try to sell the wrong product. We would fall on our faces, but we would learn fast and do what was needed to survive.

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**Page 43 | Highlight**

An early lesson I learned in my career was that whenever a large organization attempts to do anything, it always comes down to a single person who can delay the entire project.

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**Page 49 | Highlight**

figuring out the right product is the innovator’s job, not the customer’s job.

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**Page 51 | Highlight**

I inserted an agenda item titled “What Are We Not Doing?”

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all decisions were objective until the first line of code was written. After that, all decisions were

**Page 51 | Highlight Continued**

emotional.

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**Page 52 | Highlight**

Note to self: It's a good idea to ask, "What am I not doing?"

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**Page 59 | Highlight**

"What's the secret to being a successful CEO?" Sadly, there is no secret, but if there is one skill that stands out, it's the ability to focus and make the best move when there are no good moves.

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**Page 59 | Highlight**

the first principle of the Bushido—the way of the warrior: keep death in mind at all times. If a warrior keeps death in mind at all times and lives as though each day might be his last, he will conduct himself properly in all his actions. Similarly, if a CEO keeps the following lessons in mind, she will maintain the proper focus when hiring, training, and building her culture.

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**Page 61 | Highlight**

The Struggle is when you wonder why you started the company in the first place. The Struggle is when people ask you why you don't quit and you don't know the answer.

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**Page 61 | Highlight**

The Struggle is not failure, but it causes failure.

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**Page 62 | Highlight**

Don't put it all on your shoulders.

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**Page 62 | Highlight**

You won't be able to share every burden, but share every burden that you can. Get the maximum number of brains on the problems even if the problems represent existential threats.

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**Page 62 | Highlight**

This is not checkers; this is motherfuckin' chess.

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**Page 63 | Highlight**

There is always a move.

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**Page 63 | Highlight**

Play long enough and you might get lucky.

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**Page 63 | Highlight**

Don't take it personally.

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**Page 63 | Highlight**

Remember that this is what separates the women from the girls.

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**Page 66 | Highlight**

In any human interaction, the required amount of communication is inversely proportional to the level of trust. Consider the following: If I trust you completely, then I require no explanation or communication of your actions whatsoever, because I know that whatever you are doing is in my best interests. On the other hand, if I don't trust you at all, then no amount of talking, explaining, or reasoning will have any effect on me, because I do not trust that you are telling me the truth.

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**Page 66 | Highlight**

If the employees fundamentally trust the CEO, then communication will be vastly more efficient than if they don't. Telling things as they are is a critical part of building this trust.

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**Page 66 | Highlight**

A brain, no matter how big, cannot solve a problem it doesn't know about.

**Page 68 | Highlight**

layoffs inevitably broke the company's culture. After seeing their friends laid off, employees were no longer willing to make the requisite sacrifices needed to build a company.

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**Page 69 | Highlight**

During a time like this, it is difficult to focus on the future, because the past overwhelms you—but that's exactly what you must do.

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**Page 70 | Highlight**

You are laying people off because the company failed to hit its plan. If individual performance were the only issue, then you'd be taking a different measure. Company performance failed.

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**Page 70 | Highlight**

The message must be "The company failed and in order to move forward, we will have to lose some excellent people."

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**Page 71 | Highlight**

The reputations of your company and your managers depend on you standing tall, facing the employees who trusted you and worked hard for you. If you hired me and I busted my ass working for you, I expect you to have the courage to lay me off yourself.

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**Page 71 | Highlight**

explain briefly what happened and that it is a company rather than a personal failure.

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**Page 71 | Highlight**

The message is for the people who are staying. The people who stay will care deeply about how you treat their colleagues.

**Page 74 | Highlight**

the wrong way to view an executive firing is as an executive failure; the correct way to view an executive firing is as an interview/integration process system failure. Therefore, the first step to properly firing an executive is figuring out why you hired the wrong person for your company.

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**Page 74 | Highlight**

You did a poor job defining the position in the first place.

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**Page 74 | Highlight**

You hired for lack of weakness rather than for strengths.

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**Page 74 | Highlight**

As a result, you hire an executive with no sharp weaknesses, but who is mediocre where you need her to be great.

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**Page 74 | Highlight**

You hired for scale too soon.

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**Page 75 | Highlight**

You hired for the generic position.

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**Page 75 | Highlight**

The executive had the wrong kind of ambition.

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**Page 75 | Highlight**

You failed to integrate the executive.

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**Page 78 | Highlight**

You don't make yourself look good by trashing someone who worked for you.

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**Page 80 | Highlight**

When you expect your employees to act like adults, they generally do. If you treat them like children, then get ready for your company to turn into one big Barney episode.

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**Page 82 | Highlight**

the key to an emotional discussion is to take the emotion out of it.

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**Page 83 | Highlight**

when mixed with the intense emotions of embarrassment and betrayal, you might end up with a sabotage cocktail.

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**Page 85 | Highlight**

3. People who quit, but it's okay because the company didn't want them anyway Fascinatingly, as companies begin to struggle, the third category always seems to grow much faster than the first. In addition, the sudden wave of "semi-performance-related attrition" usually happens in companies that claim to have a "super-high talent bar."

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**Page 86 | Highlight**

When the facts don't align with the good news, a clever manager will find the narrative to make everybody feel better—until the next meeting.

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**Page 87 | Highlight**

this advice sounds too familiar, and you find yourself wondering why your honest employees are lying to you, the answer is they are not. They are lying to themselves.



**Page 88 | Highlight**

“Ben, those silver bullets that you and Mike are looking for are fine and good, but our Web server is five times slower. There is no silver bullet that’s going to fix that. No, we are going to have to use a lot of lead bullets.”

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**Page 91 | Highlight**

famous football coach Bill Parcells.

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**Page 91 | Highlight**

Parcells: “Al, I am just not sure how we can win without so many of our best players. What should I do?” Davis: “Bill, nobody cares, just coach your team.”

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**Page 92 | Highlight**

All the mental energy you use to elaborate your misery would be far better used trying to find the one seemingly impossible way out of your current mess.

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**Page 93 | Highlight**

In enterprise software companies, the two most important positions tend to be VP of sales and VP of engineering.

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**Page 94 | Highlight**

hire for strength rather than lack of weakness.

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**Page 98 | Highlight**

“We take care of the people, the products, and the profits—in that order.”

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**Page 99 | Highlight**

I deeply believed in training.

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**Page 101 | Highlight**

In good organizations, people can focus on their work and have confidence that if they get their work done, good things will happen for both the company and them personally.

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**Page 101 | Highlight**

“In a poor organization, on the other hand, people spend much of their time fighting organizational boundaries, infighting, and broken processes. They are not even clear on what their jobs are, so there is no way to know if they are getting the job done or not.

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**Page 102 | Highlight**

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

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**Page 105 | Highlight**

People at McDonald's get trained for their positions, but people with far more complicated jobs don't. It makes no sense.

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**Page 105 | Highlight**

Then I read chapter 16 of Andy Grove's management classic, High Output Management, titled “Why Training Is the Boss's Job,” and it changed my career. Grove wrote, “Most managers seem to feel that training employees is a job that should be left to others. I, on the other hand, strongly believe that the manager should do it himself.”

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**Page 107 | Highlight**

Training is, quite simply, one of the highest-leverage activities a manager can perform.

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**Page 107 | Highlight**

If you don't train your people, you establish no basis for performance management. As a result, performance management in your company will be sloppy and inconsistent.

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**Page 108 | Highlight**

After putting economics aside, I found that there were two primary reasons why people quit: They hated their manager; generally the employees were appalled by the lack of guidance, career development, and feedback they were receiving. They weren't learning anything: The company wasn't investing resources in helping employees develop new skills. An outstanding training program can address both issues head-on.

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**Page 108 | Highlight**

The best place to start is with the topic that is most relevant to your employees: the knowledge and skill that they need to do their job. I call this functional training.

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**Page 108 | Highlight**

multiweek engineering boot camp to bring new recruits completely up to speed on all of the historical architectural nuances of your product.

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**Page 109 | Highlight**

be sure to enlist the best experts on the team as well as the manager.

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**Page 110 | Highlight**

As Andy Grove writes, there are only two ways for a manager to improve the output of an employee: motivation and training.

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**Page 110 | Highlight**

Enforce management training by teaching it yourself.

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**Page 110 | Highlight**

Ironically, the biggest obstacle to putting a training program in place is the perception that it will take too much time.

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**Page 110 | Highlight**

being too busy to train is the moral equivalent of being too hungry to eat.

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**Page 111 | Highlight**

Good product managers know the market, the product, the product line, and the competition extremely well and operate from a strong basis of knowledge and confidence.

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**Page 113 | Highlight**

Good product managers err on the side of clarity.

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**Page 117 | Highlight**

often candidates who do well in interviews turn out to be bad employees.

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**Page 119 | Highlight**

The board encourages you to bring in some “been there, done that” executives who will provide the right financial, sales, and marketing expertise to help you transition from a world-class product to a world-class business.

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**Page 120 | Highlight**

when you are a startup executive, nothing happens unless you make it happen.

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**Page 121 | Highlight**

On the other hand, you have to be very adept at running a high-quality hiring process, have terrific domain expertise (you are personally responsible for quality control), know how to create process from scratch, and be extremely creative about initiating new directions and tasks.

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**Page 121 | Highlight**

Take integration as seriously as interviewing.

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**Page 121 | Highlight**

interview questions that I found very helpful: What will you do in your first month on the job?  
Beware of answers that overemphasize learning.

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**Page 122 | Highlight**

Look for candidates who come in with more new initiatives than you think are possible. This is a good sign. How will your new job differ from your current job?

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**Page 122 | Highlight**

Beware of candidates who think that too much of their experience is immediately transferable.

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**Page 122 | Highlight**

Why do you want to join a small company?

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**Page 122 | Highlight**

The most important difference between big and small companies is the amount of time running versus creating.

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**Page 122 | Highlight**

desire to do more creating is the right reason to want to join your company.

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**Page 122 | Highlight**

plan to spend a huge amount of time integrating any new executive.

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**Page 123 | Highlight**

Force them to create.

**Page 123 | Highlight**

Make sure that they “get it.”

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**Page 123 | Highlight**

Put them in the mix. Make sure that they initiate contact and interaction with their peers and other key people in the organization.

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**Page 124 | Highlight**

as a general manager, you must hire and manage people who are far more competent at their jobs than you would be at their jobs.

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**Page 124 | Highlight**

STEP 1: KNOW WHAT YOU WANT

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**Page 124 | Highlight**

“If you don’t know what you want, the chances that you’ll get it are extremely low.”

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**Page 125 | Highlight**

in my experience, look and feel are the top criteria for most executive searches.

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**Page 126 | Highlight**

The very best way to know what you want is to act in the role. Not just in title, but in real action.

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**Page 127 | Highlight**

Write down the strengths you want and the weaknesses that you are willing to tolerate.

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**Page 127 | Highlight**

Will the executive be an effective member of the team? Effective is the key word.

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**Page 128 | Highlight**

Assemble the interview team.

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**Page 128 | Highlight**

Who do you need to support the decision once the executive is on board?

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**Page 128 | Highlight**

best to have group two interview finalist candidates only.

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**Page 128 | Highlight**

make sure that the interviewer who asks the questions deeply understands what a good answer will sound like.

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**Page 129 | Highlight**

Consensus decisions about executives almost always sway the process away from strength and toward lack of weakness.

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**Page 131 | Highlight**

Sun Tzu,

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**Page 131 | Highlight**

The Art of War,

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**Page 132 | Highlight**

At a basic level, metrics are incentives.

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**Page 132 | Highlight**

This generally results in a frantic numbers chase that does not end in a great product.

**Page 133 | Highlight**

Management purely by numbers is sort of like painting by numbers—it's strictly for amateurs.

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**Page 133 | Highlight**

The white box goes beyond the numbers and gets into how the organization produced the numbers.

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**Page 133 | Highlight**

Once you determine the result you want, you need to test the description of the result against the employee behaviors that the description will likely create. Otherwise, the side-effect behaviors may be worse than the situation you were trying to fix.

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**Page 134 | Highlight**

While you may be able to borrow time by writing quick and dirty code, you will eventually have to pay it back—with interest.

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**Page 134 | Highlight**

Like technical debt, management debt is incurred when you make an expedient, short-term management decision with an expensive, long-term consequence.

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**Page 134 | Highlight**

Here are three of the more popular types among startups: 1. Putting two in the box 2. Overcompensating a key employee, because she gets another job offer 3. No performance management or employee feedback process

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**Page 135 | Highlight**

The short-term benefits are clear: you keep both employees, you don't have to develop either because they will theoretically help each other develop, and you instantly close the skill set gap.

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**Page 135 | Highlight**

For starters, by doing this you will make every engineer's job more difficult. If an engineer needs a decision made, which boss should she go to?

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**Page 135 | Highlight**

In addition, you have removed all accountability. If schedules slip, who is accountable?

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**Page 137 | Highlight**

Companies execute well when everybody is on the same page and everybody is constantly improving.

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**Page 137 | Highlight**

People rarely improve weakness they are unaware of.

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**Page 139 | Highlight**

Ironically one of the first things you learn when you run an engineering organization is that a good quality assurance organization cannot build a high-quality product, but it can tell you when the development team builds a low quality product. Similarly, a high quality human resources organization cannot make you a well-managed company with a great culture, but it can tell you when you and your managers are not getting the job done.

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**Page 140 | Highlight**

great HR organization will support, measure, and help improve your management team.

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**Page 140 | Highlight**

Recruiting and Hiring

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**Page 140 | Highlight**

Compensation

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**Page 140 | Highlight**

| Training and Integration

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**Page 141 | Highlight**

| Performance Management

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**Page 141 | Highlight**

| Motivation

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**Page 142 | Highlight**

| World-class process design skills

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**Page 142 | Highlight**

| A true diplomat

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**Page 142 | Highlight**

| Industry knowledge

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**Page 142 | Highlight**

| Intellectual heft to be the CEO's trusted adviser

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**Page 142 | Highlight**

| Understanding things unspoken

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**Page 144 | Highlight**

| Obviously, that didn't mean that we had to encourage it, but prohibiting it seemed both unrealistic and counterproductive.

**Page 145 | Highlight**

Sometimes an organization doesn't need a solution; it just needs clarity.

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**Page 147 | Highlight**

What do I mean by politics? I mean people advancing their careers or agendas by means other than merit and contribution.

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**Page 150 | Highlight**

found two key techniques to be useful in minimizing politics.

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**Page 150 | Highlight**

Hire people with the right kind of ambition.

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**Page 150 | Highlight**

The wrong kind of ambition is ambition for the executive's personal success regardless of the company's outcome.

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**Page 150 | Highlight**

Build strict processes for potentially political issues and do not deviate. Certain activities attract political behavior. These activities include: Performance evaluation and compensation  
Organizational design and territory Promotions

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**Page 151 | Highlight**

the CEO should have had an airtight performance and compensation policy and simply told the executive that his compensation would be evaluated with everyone else's.

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**Page 151 | Highlight**

Organizational design and territory

**Page 151 | Highlight**

Once you decide, you should immediately execute the reorg: Don't leave time for leaks and lobbying.

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**Page 152 | Highlight**

have a formal, visible, defensible promotion process that governs every employee promotion.

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**Page 152 | Highlight**

Simply by hearing them out without defending the employee in question, you will send the message that you agree.

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**Page 153 | Highlight**

Do not attempt to address behavioral issues without both executives in the room. Doing so will invite manipulation and politics.

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**Page 156 | Highlight**

indicate whether they view the world through the "me" prism or the "team" prism.

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**Page 157 | Highlight**

tend to be far more interested in how your company will win than in how they will be compensated or what their career path will be.

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**Page 160 | Highlight**

Job titles provide an excellent shorthand for describing roles in the company.

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**Page 160 | Highlight**

the Peter Principle holds that in a hierarchy, members are promoted so long as they work competently. Sooner or later they are promoted to a position at which they are no longer competent (their "level of incompetence"), and there they remain being unable to earn further

promotions.

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**Page 161 | Highlight**

The Law of Crappy People states: For any title level in a large organization, the talent on that level will eventually converge to the crappiest person with the title.

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**Page 161 | Highlight**

a properly constructed and highly disciplined promotion process.

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**Page 162 | Highlight**

people ask for many things from a company: salary, bonus, stock options, span of control, and titles. Of

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**Page 162 | Highlight**

title is by far the cheapest,

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**Page 163 | Highlight**

businesspeople often carry inflated titles versus their engineering counterparts.

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**Page 165 | Highlight**

Being effective in a company also means working hard, being reliable, and being an excellent member of the team.

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**Page 166 | Highlight**

Rather than identifying weaknesses so that he can fix them, he looks for faults to build his case. Specifically, he builds his case that the company is hopeless and run by a bunch of morons. The smarter the employee, the more destructive this type of behavior can be.

**Page 166 | Highlight**

Once an employee takes a public stance, the social pressure for him to be consistent is enormous.

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**Page 167 | Highlight**

A company is a team effort and, no matter how high an employee's potential, you cannot get value from him unless he does his work in a manner in which he can be relied upon.

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**Page 168 | Highlight**

As a company grows, its biggest challenge always becomes communication.

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**Page 168 | Highlight**

This behavior can become so bad that nobody brings up any topic when the jerk is in the room.

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**Page 168 | Highlight**

"If you hold the bus for everyone on the team, then you'll be so late you'll miss the game, so you can't do that. The bus must leave on time. However, sometimes you'll have a player that's so good that you hold the bus for him, but only him."

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**Page 171 | Highlight**

Hiring senior people into a startup is kind of like an athlete taking performance-enhancing drugs. If all goes well, you will achieve incredible new heights. If all goes wrong, you will start degenerating from the inside out.

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**Page 171 | Highlight**

The proper reason to hire a senior person is to acquire knowledge and experience in a specific area.

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**Page 171 | Highlight**

For example, for engineering managers the comprehensive knowledge of the code base and engineering team is usually more important and difficult to acquire than knowledge of how to run scalable engineering organizations.

**Page 173 | Highlight**

First, you should demand cultural compliance. It's fine that people come from other company cultures.

**Page 173 | Highlight**

If you want to expand your culture to incorporate some of the new thinking, that's fine, but do so explicitly—do not drift.

**Page 173 | Highlight**

One excellent way to develop a high standard is to interview people who you see doing a great job in their field. Find out what their standard is and add it to your own.

**Page 174 | Highlight**

He breaks performance down into four distinct areas:

**Page 174 | Highlight**

Results against objectives Once you've set a high standard, it will be straightforward to measure your executive against that standard.

**Page 174 | Highlight**

Management Even if an executive does a superb job achieving her goals, that doesn't mean she is building a strong and loyal team. It's important to understand how well she is managing, even if she is hitting her goals. 3. Innovation It's quite possible for an executive to hit her goal for the quarter by ignoring the future. For example, a great way for an engineering manager to hit her goals for features and dates is by building a horrible architecture, which won't even support the next release. This is why you must look beyond the black-box results and into the sausage factory to see how

things get made. 4. Working with peers This may not be intuitive at first, but executives must be effective at communicating, supporting, and getting what they need from the other people on your staff. Evaluate them along this dimension.

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**Page 176 | Highlight**

Perhaps the CEO's most important operational responsibility is designing and implementing the communication architecture for her company.

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**Page 176 | Highlight**

in most cases one-on-ones provide an excellent mechanism for information and ideas to flow up the organization and should be part of your design.

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**Page 176 | Highlight**

The key to a good one-on-one meeting is the understanding that it is the employee's meeting rather than the manager's meeting. This is the free-form meeting for all the pressing issues, brilliant ideas, and chronic frustrations that do not fit neatly into status reports, email, and other less personal and intimate mechanisms.

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**Page 177 | Highlight**

If you like structured agendas, then the employee should set the agenda.

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**Page 177 | Highlight**

Some questions that I've found to be very effective in one-on-ones:

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**Page 177 | Highlight**

If we could improve in any way, how would we do it? What's the number-one problem with our organization? Why? What's not fun about working here? Who is really kicking ass in the company? Whom do you admire? If you were me, what changes would you make? What don't you like about the product? What's the biggest opportunity that we're missing out on? What are we not doing that we should be doing? Are you happy working here?



**Page 179 | Highlight**

The primary thing that any technology startup must do is build a product that's at least ten times better at doing something than the current prevailing way of doing that thing. Two or three times better will not be good enough to get people to switch to the new thing fast enough or in large enough volume to matter.

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**Page 179 | Highlight**

If you fail to do both of those things, your culture won't matter one bit. The world is full of bankrupt companies with world-class cultures. Culture does not make a company.

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**Page 180 | Highlight**

It matters to the extent that it can help you achieve the above goals. 2. As your company grows, culture can help you preserve your key values, make your company a better place to work, and help it perform better in the future. 3. Perhaps most important, after you and your people go through the inhuman amount of work that it will take to build a successful company, it will be an epic tragedy if your company culture is such that even you don't want to work there.

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**Page 181 | Highlight**

In his bestselling book *Built to Last*, Jim Collins wrote that one of the things that long-lasting companies he studied have in common is a "cult-like culture."

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**Page 181 | Highlight**

Collins was right that a properly designed culture often ends up looking cultlike in retrospect, but that's not the initial design principle.

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**Page 183 | Highlight**

Prior to figuring out the exact form of your company's shock therapy, be sure that your mechanism agrees with your values.

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**Page 186 | Highlight**

the following things that cause no trouble when you are small become big challenges as you

grow: Communication Common knowledge Decision making

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**Page 187 | Highlight**

At this point, you need to specialize. By dedicating people and teams to such tasks as the build environment, the test environment, and operations, you will create some complexity—handoffs across groups, potentially conflicting agendas, and specialized rather than common knowledge.

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**Page 188 | Highlight**

The first rule of organizational design is that all organizational designs are bad. With any design, you will optimize communication among some parts of the organization at the expense of other parts.

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**Page 188 | Highlight**

Think of the organizational design as the communications architecture for your company. If you want people to communicate, the best way to accomplish that is to make them report to the same manager.

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**Page 189 | Highlight**

the basic steps to organizational design:

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**Page 189 | Highlight**

Figure out what needs to be communicated.

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**Page 189 | Highlight**

Figure out what needs to be decided.

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**Page 189 | Highlight**

Prioritize the most important communication and decision paths.

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**Page 189 | Highlight**

Decide who's going to run each group.

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**Page 189 | Highlight**

You want to optimize the organization for the people—for the people doing the work—not for the managers.

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**Page 190 | Highlight**

Identify the paths that you did not optimize.

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**Page 190 | Highlight**

Build a plan for mitigating the issues identified in step five.

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**Page 190 | Highlight**

The purpose of process is communication.

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**Page 190 | Highlight**

You need something more robust—a communication bus or, to use the conventional term for human communication buses, a process. A process is a formal, well-structured communication vehicle. It can be a heavily engineered Six Sigma process or it can be a well-structured regular meeting.

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**Page 191 | Highlight**

If you are looking for the first process to implement in your company, consider the interview process.

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**Page 191 | Highlight**

The people who are already doing the work in an ad hoc manner. They know what needs to be communicated and to whom.

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**Page 191 | Highlight**

it's much easier to add new people to old processes than new processes to old people.

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**Page 191 | Highlight**

Focus on the output first.

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**Page 191 | Highlight**

Figure out how you'll know if you are getting what you want at each step.

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**Page 192 | Highlight**

Engineer accountability into the system.

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**Page 192 | Highlight**

The process of scaling a company is not unlike the process of scaling a product. Different sizes of company impose different requirements on the company's architecture. If you address those requirements too early, your company will seem heavy and sluggish. If you address those requirements too late, your company may melt down under the pressure. Be mindful of your company's true growth rate as you add architectural components. It's good to anticipate growth, but it's bad to overanticipate growth. THE SCALE ANTICIPATION FALLACY

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**Page 193 | Highlight**

As CEO, you must constantly evaluate all the members of your team. However, evaluating people against the future needs of the company based on a theoretical view of how they will perform is counterproductive, for the following reasons:

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**Page 193 | Highlight**

Managing at scale is a learned skill rather than a natural ability.

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**Page 193 | Highlight**

It's nearly impossible to make the judgment in advance.

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**Page 194 | Highlight**

The act of judging people in advance will retard their development.

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**Page 194 | Highlight**

Hiring scalable execs too early is a bad mistake. There is no such thing as a great executive. There is only a great executive for a specific company at a specific point in time.

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**Page 194 | Highlight**

you will probably ignore their ability to do the job for the next twelve months, which is the only relevant measure.

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**Page 194 | Highlight**

you will swap out good executives for worse ones.

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**Page 194 | Highlight**

you still have to evaluate the situation with far better data at point in time B.

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**Page 194 | Highlight**

It's no way to live your life or run an organization. Deciding (with woefully incomplete data) that someone who works their butt off, does a terrific job, and loyally contributes to your mission won't be with you three years from now takes you to a dark place. It's a place of information hiding, dishonesty, and stilted communication. It's a place where prejudice substitutes for judgment. It's a place where judgment replaces teaching. It's a place where teamwork becomes internal warfare.

**Page 196 | Highlight**

Don't separate scale from the rest of the evaluation. The relevant question isn't whether an executive can scale; it's whether the executive can do the job at the current scale.

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**Page 196 | Highlight**

Make the judgment on a relative rather than an absolute scale.

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**Page 200 | Highlight**

Investing in courage and determination was an easy decision for me."

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**Page 201 | Highlight**

By far the most difficult skill I learned as CEO was the ability to manage my own psychology.

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**Page 201 | Highlight**

IF I'M DOING A GOOD JOB, WHY DO I FEEL SO BAD?

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**Page 202 | Highlight**

The first problem is that everybody learns to be a CEO by being a CEO.

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**Page 203 | Highlight**

NOBODY TO BLAME

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**Page 204 | Highlight**

TOO MUCH BROKEN STUFF Given this stress, CEOs often make one of the following two mistakes: 1. They take things too personally. 2. They do not take things personally enough.

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**Page 207 | Highlight**

Make some friends. Although it's nearly impossible to get high-quality advice on the tough

decisions that you make, it is extremely useful from a psychological perspective to talk to people who have been through similarly challenging decisions. Get it out of your head and onto paper.

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Page 207 | Highlight

The process of writing that document separated me from my own psychology and enabled me to make the decision swiftly. Focus on the road, not the wall.

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Page 207 | Highlight

If you focus on the wall, you will drive right into it. If you focus on the road, you will follow the road. Running

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Page 209 | Highlight

The man who is yellow refuses to face up to what he's got to face. The hero is more disciplined and he fights those feelings off and he does what he has to do. But they both feel the same, the hero and the coward. People who watch you judge you on what you do, not how you feel."

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Page 209 | Highlight

the most important decisions tested my courage far more than my intelligence. The right decision is often obvious, but the pressure to make the wrong decision can be overwhelming.

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Page 210 | Highlight

Because the founders do not have the courage to decide who is in charge, every employee suffers the inconvenience of double approval.

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Page 212 | Highlight

You are right You are wrong You decide against the crowd. Few remember that you made the decision, but the company succeeds. Everybody remembers the decision and you are downgraded, ostracized,

**Page 212 | Highlight**

decide with the crowd.

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**Page 212 | Highlight**

advised you remembers the decision and the company succeeds. You receive the minimum blame possible for getting it wrong, but the company suffers. On the surface, it appears that if the decision is a close call, it's much safer to go with the crowd. In reality, if you fall into this trap, the crowd will influence your thinking and make a 70-30 decision seem like a 51-49 decision. This is why courage is critical.

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**Page 212 | Highlight**

life, everybody faces choices between doing what's popular, easy, and wrong versus doing what's lonely, difficult, and right.

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**Page 213 | Highlight**

Every time you make the hard, correct decision you become a bit more courageous and every time you make the easy, wrong decision you become a bit more cowardly. If you are CEO, these choices will lead to a courageous or cowardly company.

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**Page 214 | Highlight**

Collins, in his bestselling book Good to Great, demonstrates through massive research and comprehensive analysis that when it comes to CEO succession, internal candidates dramatically outperform external candidates. The core reason is knowledge. Knowledge of technology, prior decisions, culture, personnel, and more tends to be far more difficult to acquire than the skills required to manage a larger organization.

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**Page 214 | Highlight**

I will focus the discussion on two core skills for running an organization: First, knowing what to do. Second, getting the company to do what you know.



**Page 215 | Highlight**

Most founding CEOs tend to be Ones. When founding CEOs fail, a significant reason is that they never invested the time to be competent enough in the Two tasks to direct those activities effectively. The resulting companies become too chaotic to reach their full potential and the CEO ends up being replaced.

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**Page 215 | Highlight**

Twos, on the other hand, thoroughly enjoy the process of making the company run well. They insist upon super-clear goals and strongly prefer not to change goals or direction unless absolutely necessary.

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**Page 216 | Highlight**

CEOs who are Twos, despite their love of action, can sometimes bring decision making in a company to a halt.

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**Page 216 | Highlight**

If a CEO ignores the dimension of management she doesn't like, she generally fails.

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**Page 216 | Highlight**

The primary purpose of the organizational hierarchy in a company is decision-making efficiency.

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**Page 217 | Highlight**

This brings us to the question of succession. Since most organizations are run by Ones and have a team of Twos (sometimes Functional Ones) reporting to them, replacing the CEO can be extremely tricky. Do you promote someone from the executive staff even though they are likely a Two? Microsoft did this in 2000 when they replaced Bill Gates, a prototypical One, with Steve Ballmer, literally his number two.

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**Page 218 | Highlight**

The answer is there is no easy answer. CEO transition is hard. If you bring people in from the outside, you lower your chances for success. If you promote from within, you must deal with the

One-Two phenomenon.

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Page 219 | Highlight

Most people define leadership in the same way that Supreme Court justice Potter Stewart famously defined pornography when he said, “I know it when I see it.”

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Page 219 | Highlight

the quantity, quality, and diversity of people who want to follow her. So what makes people want to follow a leader? We look for three key traits: The ability to articulate the vision The right kind of ambition The ability to achieve the vision

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Page 220 | Highlight

Can the leader articulate a vision that’s interesting, dynamic, and compelling? More important, can the leader do this when things fall apart?

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Page 220 | Highlight

the Steve Jobs attribute.

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Page 220 | Highlight

Most of us have experienced this in our careers: a bright, ambitious, hardworking executive whom nobody good wants to work for and who, as a result, delivers performance far worse than one might imagine.

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Page 220 | Highlight

employees feel that the CEO cares more about the employees than she cares about herself. In this kind of environment, an amazing thing happens: A huge number of employees believe it’s their company and behave accordingly. As the company grows large, these employees become quality control for the entire organization.

**Page 221 | Highlight**

The final leg of our leadership stool is competence, pure and simple.

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**Page 223 | Highlight**

In the end, some attributes of leadership can be improved more than others, but every CEO should work on all three. Furthermore, each attribute enhances all three. If people trust you, they will listen to your vision even if it is less articulate. If you are super-competent, they will trust you and listen to you. If you can paint a brilliant vision, people will be patient with you as you learn the CEO skills and give you more leeway with respect to their interests.

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**Page 225 | Highlight**

Peacetime in business means those times when a company has a large advantage over the competition in its core market, and its market is growing. In times of peace, the company can focus on expanding the market and reinforcing the company's strengths. In wartime, a company is fending off an imminent existential threat. Such a threat can come from a wide range of sources, including competition, dramatic macroeconomic change, market change, supply chain change, and so forth.

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**Page 225 | Highlight**

peacetime and wartime require radically different management styles.

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**Page 226 | Highlight**

When Steve Jobs returned to Apple, the company was weeks away from bankruptcy—a classic wartime scenario. He needed everyone to move with precision and follow his exact plan; there was no room for individual creativity outside the core mission. In stark contrast, as Google achieved dominance in the search market, Google's management fostered peacetime innovation by enabling and even requiring every employee to spend 20 percent of their time on their own new projects.

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**Page 228 | Highlight**

management books tend to be written by management consultants who study successful companies during their times of peace.

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**Page 229 | Highlight**

CEO is an unnatural job.”

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**Page 231 | Highlight**

giving feedback,

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**Page 231 | Highlight**

keys to being effective:

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**Page 231 | Highlight**

Be authentic. It's extremely important that you believe in the feedback that you give and not say anything to manipulate the recipient's feelings.

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**Page 231 | Highlight**

Come from the right place.

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**Page 231 | Highlight**

give people feedback because you want them to succeed and not because you want them to fail.

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**Page 232 | Highlight**

Don't get personal.

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**Page 232 | Highlight**

Don't clown people in front of their peers.

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**Page 232 | Highlight**

you should strive never to embarrass someone in front of their peers.

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**Page 232 | Highlight**

Feedback is not one-size-fits-all.

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**Page 232 | Highlight**

your tone should match the employee's personality, not your mood.

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**Page 232 | Highlight**

Be direct, but not mean.

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**Page 232 | Highlight**

feedback is a dialogue, not a monologue.

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**Page 233 | Highlight**

your goal should be for your feedback to open up rather than close down discussion.

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**Page 233 | Highlight**

Feedback won't be personal in your company. If the CEO constantly gives feedback, then everyone she interacts with will just get used to it.

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**Page 233 | Highlight**

People will become comfortable discussing bad news.

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**Page 236 | Highlight**

Strategy In good companies, the story and the strategy are the same thing. As a result, the proper output of all the strategic work is the story.

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**Page 236 | Highlight**

Decision making At the detailed level, the output of knowing what to do is the speed and quality of

the CEO's decisions.

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**Page 236 | Highlight**

Well-structured goals and objectives contribute to the context, but they do not provide the whole story. More to the point, they are not the story. The story of the company goes beyond quarterly or annual goals and gets to the hard-core question of why. Why should I join this company? Why should I be excited to work here? Why should I buy its product? Why should I invest in the company? Why is the world better off as a result of this company's existence?

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**Page 237 | Highlight**

A company without a story is usually a company without a strategy.

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**Page 237 | Highlight**

At the time of any given decision, the CEO will generally have less than 10 percent of the information typically present in the post hoc Harvard Business School case study.

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**Page 238 | Highlight**

you must continuously and systematically gather knowledge in the company's day-to-day activities so that you will have as much information as possible when the decision point arrives.

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**Page 239 | Highlight**

Is the CEO building a world-class team?

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**Page 240 | Highlight**

"How easy is it for any given individual contributor to get her job done?" In well-run organizations, people can focus on their work (as opposed to politics and bureaucratic procedures) and have confidence that if they get their work done, good things will happen both for the company and for them personally. By contrast, in a poorly run organization, people spend much of their time fighting organizational boundaries and broken processes.

**Page 240 | Highlight**

Reference Guide on Our Freedom and Responsibility Culture.

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**Page 249 | Highlight**

Let's look at accountability across the following dimensions: promises, results, and effort.

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**Page 250 | Highlight**

Amount of stupid risk While you don't want to punish people for taking good risks, not all risks are good. While there is no reward without risk, there is certainly risk with little or no chance of corresponding reward.

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**Page 251 | Highlight**

How senior is she?

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**Page 251 | Highlight**

How hard was it?

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**Page 251 | Highlight**

Was the original risk the right one to take?

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**Page 251 | Highlight**

The difference between being mediocre and magical is often the difference between letting people take creative risk and holding them too tightly accountable.

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**Page 252 | Highlight**

alarmists who assigned every issue the top priority.

**Page 255 | Highlight**

You did not know everything when you hired her.

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**Page 255 | Highlight**

You must get leverage.

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**Page 255 | Highlight**

As CEO, you can do very little employee development.

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**Page 255 | Highlight**

If someone needs lots of training, she is below standard.

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**Page 256 | Highlight**

that when the company doubles in size, she has a new job.

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**Page 257 | Highlight**

technology acquisitions in three categories:

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**Page 257 | Highlight**

Talent and/or technology,

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**Page 257 | Highlight**

\$5 million and \$50 million.

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**Page 257 | Highlight**

Product,

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**Page 257 | Highlight**

sell the product roughly as it is, but will do so primarily with its own sales and marketing capability.

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**Page 258 | Highlight**

25 million and \$250 million.

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**Page 258 | Highlight**

Business, when a company is acquired for its actual business (revenue and earnings). The acquirer values the entire operation (product, sales, and marketing), not just the people, technology, or products. These

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**Page 261 | Highlight**

Get paid (a salary).

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**Page 262 | Highlight**

Be clear with the company.

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**Page 269 | Highlight**

provide the kind of mentorship that would accelerate the learning process.

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**Page 270 | Highlight**

As we applied it to venture capital, we decided to build the following networks:

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**Page 271 | Highlight**

Large companies Every new company needs to either sell something to or partner with a larger company. Executives If you succeed, at some point you need to hire executives. Engineers In the technology business, you can never know enough great engineers. Press and analysts We have a saying around the firm: Show it, sell it; hide it, keep it. Investors and acquirers Being venture

**Page 271 | Highlight Continued**

capitalists, providing access to money was obvious.

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**Page 272 | Highlight**

the importance of hiring for strength rather than for lack of weakness,

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**Page 274 | Highlight**

Hard things are hard because there are no easy answers or recipes. They are hard because your emotions are at odds with your logic. They are hard because you don't know the answer and you cannot ask for help without showing weakness.