

Reprinted from "Building the Awesome Organization: Six Essential Components that Drive Entrepreneurial Growth" by Katherine Catlin and Jana Matthews (Wiley, 2002) ©Kauffman Center for Entrepreneurial Leadership

# CHAPTER 1

## WHY BUILD AN AWESOME ORGANIZATION?

**“Typically a business doesn’t move in a straight line; there are lots of turns in the road, lots of unexpected obstacles that you come up against. It’s the awesome organization that can navigate around those obstacles to reach success. In a lot of early-stage companies, leaders spend all their time on building the product and then when you get internal conflicts or changes in the market, you spiral down and lose momentum because you haven’t built the organization.”**

The United States is filled with entrepreneurs. Everywhere, people with ideas, daring, and ambition are starting and building companies. But, many would-be tycoons find that growing a business is the hardest thing they’ve ever tried to do. And, along the way, many don’t make it.

What’s the secret of those who succeed? Successful entrepreneurs know that innovation drives growth. They also know it takes people with a shared passion for problem solving and turning ideas into reality to produce innovation. Innovative companies invent and reinvent new markets, products, services, and business models, all of which lead to growth. If you build an awesome organization that attracts, retains, and inspires people to create and innovate, your company will grow. If you don’t, your company will decline. It’s that simple.

The mission of this book is to help entrepreneurial leaders build awesome organizations that achieve entrepreneurial growth. Whether you're a first-time entrepreneur or a serial entrepreneur with several successful start-ups under your belt, this book will be a valuable resource. Use the organizational framework and the assessment tools in this book to strengthen your organization, improve your company's ability to compete, and manage the growth that drives marketplace success.

## DEFINING AN AWESOME ORGANIZATION

Here's how two successful entrepreneurs describe an awesome organization:

"An awesome organization is where the entire organization shares the same intensity and clarity of vision that the entrepreneur brought to the company on the first day it opened its doors."



"We've finally put the elements of an awesome organization in place, and we've never had this kind of performance. The environment crackles with excitement, purpose, intensity, change, and innovation. But the reverse was true before we were able to put the right things in place. When we are performing at an awesome level, it's physically and emotionally tangible at every meeting, every interaction."

People love working in an awesome organization; they tell their family, friends, and customers what a great place it is to work. Customers love doing business with an awesome organization, and they spread the word, too. The company's culture and its people become part of its brand and contribute to its competitive edge in the marketplace.

The following box, "Vital Signs: Characteristics of an Awesome Organization," defines the chief qualities of a great organization. Think about how your company stacks up against this checklist.

## VITAL SIGNS: CHARACTERISTICS OF AN AWESOME ORGANIZATION

An awesome organization:

-  Is a market leader, has highly valued products and services and good profit margins.
-  Has high-quality leadership and a workforce that is extremely talented, self-motivated, and highly productive.
-  Has a shared vision and core values that everyone understands and embraces.
-  Has a plan that everyone uses as the road map for setting priorities, making decisions, and taking action.
-  Has a culture that rewards people for their ideas and contributions, and fosters great teamwork at all levels.
-  Has people who are dedicated to learning and helping each other learn.
-  Has streamlined processes to assure maximum efficiency in all areas of operation.
-  Focuses continually on innovation and improvement, with new ideas constantly bubbling up and being implemented.
-  Anticipates change and continually redefines every part of the business to ensure that its competitive edge is always sharp and distinctive.
-  Capitalizes on new market opportunities; considers the needs and wants of the customers and prospects before making decisions.

## UNDERSTANDING WHY THERE AREN'T MORE AWESOME ORGANIZATIONS

Why do so few entrepreneurs succeed in building awesome organizations? Most don't realize how important it is. Some hire people as fast as they can and focus

on sales and revenues. Some are great technical or market experts but don't know what constitutes a great organization or how to manage people. Others get so wrapped up in getting a product out the door or raising the next round of financing that they pay no attention to building an organization that will sustain growth. But, when the company "hits the wall" and stops growing, they come face-to-face with a complicated set of organizational problems that could have been avoided — if they'd only known which building blocks to put in place — from the beginning.

Entrepreneurs who don't know what they don't know can lead their companies into dangerous territory. Beware of these common pitfalls.

**Thinking awesome organizations “just happen.”** They don't! Building the organization is your primary responsibility, and you have to work at it, every single day, throughout the life of the company. Truly great organizations are carefully constructed, one building block at a time. You lay the foundation of a great company when you hire outstanding people, create a culture that inspires innovation, develop and implement a solid growth plan, have a top team that is a role model for all teams, and develop fine-tuned systems and processes. You provide the kind of leadership that awesome people want when you guide, coach, and encourage them to help you build an organization that can be a market leader. If you don't make a conscious effort to build a great organization, it will develop haphazardly and the results will be very disappointing — to you and your employees.

“Adrenaline can get your first product out the door, but if you're going to build a multi-product company, you need organizational tools and processes to surmount the complexity. A few years down the road, adrenaline just doesn't do it any more. Having these organizational tools and processes in place enables the company to keep working on existing products while senior management focuses on the future.”

Bottom line: Building the organization must be a top priority. You must make a conscious, concerted effort to develop each of the building blocks, as well as the organizational tools and processes needed to support growth.

**Developing plans by yourself and expecting other people to execute them.** Awesome people won't stay at a company whose leader tells them to put their heads down and implement plans they've had no role in creating. They want to be active participants in planning the company's future, be challenged, and gain new skills. They want to work in an organization that encourages them to learn, grow, create, innovate, and excel.

“People take a job for the challenge, for their ego, and for the money. They stay because of their peers, their successes, what they learn, a chance to help shape the future of the company, and the opportunity to keep growing.”

**Hiring “bodies for slots.”** Entrepreneurs often don’t think hard enough about what kinds of people are needed to build a great organization, and most don’t search long enough to find the right people. They are so busy trying to hire people for all the open positions that they end up hiring employees who are less than awesome. Listen to one CEO describe the kinds of people he wants to hire into his company:

“We want awesome people who will roll up their sleeves and get their hands dirty. They can lead by example and pull other people along, but not do their work for them. An awesome person can take constructive criticism, is able to learn and change, and is open-minded enough to say, ‘Tell me what the organization needs; I’m willing to do whatever it takes.’ Even if this particular job isn’t going to stretch them at this time, they’ll take it on because it needs to be done, and they’ll expect to get rewarded with a big opportunity. An awesome person clearly has the brains and skills to do the job but probably more importantly has the ability to work within the structure and culture of the organization. He or she will embody that culture — live that culture, and those are the kinds of people we’re looking for.”

**Not understanding what awesome people want.** Sometimes entrepreneurs fail to attract or retain awesome people because they don’t understand what these people want. At the Kauffman Center for Entrepreneurial Leadership, successful entrepreneurs were asked to identify their most outstanding people. We then interviewed some of these great employees and asked them to describe their ideal workplace — the kind of company they would want to join and help grow, over the long term.

These awesome people told us they want to work for an organization with a compelling vision, people-oriented values, and a culture of trust that stimulates risk-taking and encourages creative ideas. They expect lots of two-way communications about the company’s strategic direction and financial performance. It’s important to them to work with peers they can respect and enjoy in a dynamic, fun, participatory environment. They want leaders who mentor, provide feedback, empower, and give them opportunities to learn and grow. They want to have a sense of ownership about their work and a chance to make a difference in the world. They want to be sure they have challenging work, autonomy, flexibility, and rewards and recognition for their high performance.

If you want to attract and keep the kinds of people you need to grow the company, you have to build the kind of organization they want to join.

**Not understanding how the organization will change — and your role as leader will change.** In the early stages, your company was small enough for you to manage everything, make all the decisions, plan “on the fly,” and respond to opportunities as you saw fit. But in order for the company to grow, you must consciously build an organization that will support growth. You cannot do it all yourself, and you will not be able to pursue all the opportunities that come your way. You must make some choices, chart a direction, and develop a plan for growth. Over time your role as leader will change as you begin to institutionalize the culture, standardize the hiring processes, develop planning and budgeting processes, and share leadership with your top team. If you don’t do this, your company will not be able to grow and you will become the bottleneck or worse, the cement boots that drag your company down.

The first book in the Kauffman Center Series on Managing Growth, *Leading at the Speed of Growth: Journey from Entrepreneur to CEO*, describes how and why the entrepreneur’s role must change as the company moves from start-up to initial growth, change again when it moves into rapid growth, and change yet again in order to move the company into continuous growth. (See appendix B, “Stages of Growth and the Leader’s Roles,” for a brief description of these three stages of growth.) The creativity, drive, and will to succeed that made you an entrepreneur in the first place will help you to adapt to the changing leadership roles and responsibilities required to build an organization that will support growth. Your experience, insights, and problem-solving skills will enable you to deal with the tough challenges every CEO of a growing company faces. Regardless of whether your current organization is awesome — or not — you *can* develop a great company *if* you are willing to change your role as leader as your company grows, and *if* you are willing to focus your time and attention on building an awesome organization.

## RECOGNIZING SIX COMPONENTS OF AN AWESOME ORGANIZATION

This book will help you overcome the pitfalls described earlier in the chapter and serve as your “map” to building a great company. Our framework describes the six building blocks, or components of an awesome organization. Each of them is

equally important; none can be ignored. Each component must be consciously built and continuously strengthened if you want your company to grow. If any single component or building block is weak, the company's growth and performance will be at risk. The six components of an awesome organization, described in chapters 3 through 9, are:

- **Culture for growth.** An awesome organization has an empowering, motivating environment that attracts awesome people and then retains them because it enables them to thrive and perform at their best.
- **Awesome people.** The know-how, skills, insight, imagination, and ideas of your people are the intangible assets that give your company its distinct competitive edge.
- **Plan for growth.** Every awesome organization has a written — yet flexible — plan that defines both the long-term and short-term requirements for growth and innovation. The plan helps guide decision making and enables everyone to focus on projects, tasks, and activities that lead to achievement of the vision and goals.
- **Top team as leaders of growth.** The CEO can't do it alone. Each member of the top team needs to share the vision and fully understand his or her functional and cross-functional roles and responsibilities for implementing the plans and achieving the mission.
- **Infrastructure for growth.** The organizational structure and three sets of processes (finding and leading people, planning and alignment, and management and control) comprise the infrastructure for growth. The infrastructure enables you to institutionalize the organization's mission, vision, and values, and makes the work flow easily and efficiently.
- **You, the awesome leader of growth.** As the company grows, your ability to communicate a powerful sense of purpose and direction will help align everyone with the mission, vision, and values. That will be one of the keys to your success. And, one of the outcomes of building an awesome organization will be an environment that stimulates, encourages, and enables people to achieve extraordinary results.

Very few entrepreneurs have mastered all six components. Some entrepreneurs know they have to hire great people, but they don't know how to create a culture that will help them retain these people. Some know they have to do a better job with planning, but they don't develop the infrastructure that enables plans to be implemented. Others hire and fire top team members without knowing how to build

a cohesive top team, what roles team members need to play, and how their own role will change as the team matures and/or the company moves into a new stage of development. This book will enable you to put it all together and will show you what you need to do as the leader to build each component of an awesome organization.

Building an organization capable of competing and thriving in today's business climate is challenging, to say the least. So in addition to providing the framework and describing the six components of an awesome organization, we have included a number of tools and resources that will help you assess, and then strengthen, each component in your own company.

### USE THE LEARNING TOOLS WE'VE PROVIDED

We've discovered that great leaders are great learners, and that the most successful entrepreneurs are constantly learning. This book will help you learn what you need to know to develop an awesome organization, assess how awesome your own organization is — and determine where you need to make improvements. The learning tools in this book include:

- **Lessons from Fellow CEOs**

Entrepreneurs prefer to learn from their peers, so we've included a large number of stories from entrepreneurial leaders who have faced the same tough issues you struggle with daily — entrepreneurs who have figured out how to build great organizations. Their companies range in size from 10 to 800 employees and from \$1 million to \$150 million in revenue. They have experienced significant annual growth rates of 20 percent, 50 percent, or more. We've provided the framework and context, and then used their stories to illustrate the points. Their stories are set off by quotation marks.

Since some of the entrepreneurs were not willing to share confidential stories and candid insights unless they could remain anonymous, the entrepreneurs telling the stories are not identified. But, you'll read about their mistakes, hear them tell what they did — or wished they had done — to develop their organizations, and what lessons they learned. In several places, you'll also hear from the people these entrepreneurs identified as awesome employees.

- **Overview Quiz and *BAO SCANS***

In addition to learning from peers and mentors, entrepreneurs learn by immediately applying what they have learned to their own situations. They like to assess

themselves and their organizations, ask probing questions, find answers, take action, and achieve quick results. That's why we have included an Overview Quiz in chapter 2, "Take the Quiz: How Awesome Is Your Organization?", and *Building the Awesome Organization (BAO) SCANs* at the ends of chapters 3 through 9. These assessment tools are designed to help you, your leadership team, and your employees evaluate how well your company is performing in each of the six components or building blocks of an awesome organization.



The Overview Quiz and the *BAO SCANs* can also be downloaded from [www.entreworld.org](http://www.entreworld.org), the Web site of the Kauffman Center for Entrepreneurial Leadership. The Center's Web site is a rich and comprehensive resource of useful information and best practices for entrepreneurial leaders who want to grow their companies. Whenever you see the symbol shown in the accompanying figure, you can download that tool from the Managing Growth Book Series section at [www.entreworld.org](http://www.entreworld.org).

If you want to stay healthy, you need to have periodic checkups. If you want to have a healthy organization, you need to check on its health at regular intervals, as well. The Overview Quiz will enable you to assess the overall health of your company, and the seven *BAO SCANs* will provide you with a more detailed assessment in each of the book's components. With that information you can develop a "fitness profile" for your organization. We encourage you to have your top team take the Overview Quiz as well as the *BAO SCANs*. Once you and they understand where the problems are, be sure to read the appropriate chapters, and then develop an action plan for needed improvements.

You might also want to have some of your awesome people take the Overview Quiz and the *BAO SCANs*. This is a great way to involve employees in identifying problem areas and helping shape the future of the company. Asking employees for feedback will encourage them to contribute new ideas to help move the organization forward and will demonstrate that you are focused on learning and improving, and are trying create an open culture.

The *BAO SCANs* are not intended to be scientific benchmarking tools. They were not designed to provide comparative data between or among companies but rather to enable you to identify (1) areas of strength and weakness and (2) any areas where you, the top team, and/or your employees have different perceptions of the company's strengths or weaknesses. Based on the results of the *SCANs* and the Action Plans, you'll be able to determine where you need to focus time and resources to strengthen your organization.

Every organization has good points and bad points that often reflect the founding entrepreneur's or CEO's strengths and weaknesses. The *BAO SCANS* will enable you to hold up a mirror to the organization — and to yourself. Acknowledging areas that need work can be painful, but every company, and every person, can benefit from such assessment.

Setting priorities is often a challenge for entrepreneurs, especially if it appears that many issues need to be addressed at once. The Overview Quiz and the *BAO SCANS* will help you focus on the changes that can have the greatest impact on the development of your organization and will improve its ability to sustain growth.

- **Vital Signs, Your Role as Leader, and Big Lessons**

The Vital Signs boxes found throughout the book contain some of the most important information in each chapter. Sections at the end of each chapter address your role as leader and summarize key ideas or Big Lessons. These sections serve as recaps for rapid learning and quick review. Use them to refresh your memory when you're working on a specific component of the awesome organization.

- **Red Flags**

Each chapter includes boxes with warning signs, called Red Flags. Read through them and think about whether they apply to your company. Do not ignore the Red Flags. Use the *BAO SCANS* at the end of chapters 3 through 9 to help you identify specific problems and develop action plans in response to the Red Flags.

- **Appendixes**

We've developed a series of appendixes to provide additional information and tools:

- A: Glossary of Growth and Organization-Building Terms
- B: Stages of Growth and the Leader's Roles
- C: Creating a Core Values Statement for Growth
- D: Model for Creative Problem Solving
- E: Examples of Mission, Values, and Vision Statements
- F: Helping Build Your Company's Profit Spiral™

## USING THIS BOOK AS YOUR MAP

This book provides you with a description of the organization you need to build to support and accelerate growth — and a “map” to help you get there. Maps are powerful learning tools. They indicate that someone has figured out the route to success. They present alternative ways to get to the desired goal and show which routes are dead-ends. Maps identify rivers, valleys, mountains, and deserts so you can be prepared for what lies ahead. Some entrepreneurs don’t like to use maps and prefer, instead, to make their own way. But in today’s speed-driven world, the prize goes to those who get there first. Why waste valuable time and resources learning lessons that others have already learned and are willing to share? Read this book, benefit from the wisdom of experienced entrepreneurs, discover the quickest path through the woods, and shorten your journey to success.

As you read this book, you may find you’re already doing what we recommend — and that’s good! Confirmation that you’re on the right track is as important as warnings that you’re on the wrong one. Use the Overview Quiz and the *BAO SCANS* to identify where your company is doing well, and what areas need further improvement. The information in each chapter should get you headed in the right direction, and continued use of the Overview Quiz and the *BAO SCANS* can help you chart your progress, over time.

We’ve designed this book as a resource that you can use again and again, year after year. Share it with your top team and with your board of directors or advisors. Share it with other entrepreneurs. Consider it your trusted resource, guidebook, and map as you build your awesome organization. Don’t put it on the shelf. Use it!

Your first step to building an awesome organization is to turn the page and take the Overview Quiz in chapter 2. Ask your top team to take it as well. Use the results to frame a discussion of two key questions:

- “What do we need to do to make sure our company is constantly improving, innovating, and growing?”
- “What do we need to do to build our own awesome organization?”

## Catlin & Cookman Group: Corporate Profile

### *Building a Community of CEOs Who Are Growing Great Companies*

In today's fast-paced world, CEOs have the toughest job of all. While it's both exciting and rewarding, it can also be extraordinarily challenging. Where do CEOs turn for guidance? Since 1989, CEOs of emerging-growth companies have come to the Catlin & Cookman Group for our unique expertise and resources – proven methods and frameworks to plan for and manage growth and change. Our sole focus on the CEO experience sets us apart, and the highly targeted resources we offer – CEO forums, consulting processes and practical tools – are developed exclusively for CEOs who are committed to growing great companies.

#### **High-Growth CEO Forums™**

More than ever, CEOs need a group of peer advisors to help grapple with issues they can't discuss with their teams or Boards. Our unique Forums are tightly-knit groups of CEOs from similar stage companies who meet quarterly to discuss their business challenges, advise each other about critical decisions, and develop best practices for managing growth. Our focus on customizing agendas to address members' real-time, bottom-line issues keeps the group accountable and the payback measurable. And, through our licensed partners, we are growing the number of High-Growth CEO Forums worldwide, creating a powerful, wide-reaching community of over 70 venture-backed CEOs.

#### **High-Growth Consulting**

To succeed, CEOs must create a shared vision and strategy with the executive team – and then execute ... flawlessly. We work closely with CEOs to define their strategic vision and annual plans, build and align executive teams, and create the organizational design, operating system and culture for impeccable execution. Our systematic, proven frameworks for growth deliver measurable results.

***Building the Profit Spiral®** Our foundation framework. Uncovers impediments to growth and helps CEOs and their executive teams create and implement strategic plans that include market focus, mission, values, vision, strategies, structure and culture — and an operating system to make sure the plan works. The result is the path to extraordinary growth.*

***Building the Executive Team as Leaders of Growth®** Defines the key responsibilities of the executives beyond their functional roles and develops a highly-focused and exceptionally strong team capable of leading the company to successful growth, breakthrough innovation and maximized profits.*

***Building the Awesome Organization.** Drives the strategic plan down into the organization – ensures that the critical metrics, operating processes, culture and activity alignment exist to execute the plan.*

#### **Thought Leadership**

Our deep understanding of the high-growth CEO experience is reflected in our books, articles and seminars – and on our website, [www.ceoexchange.com](http://www.ceoexchange.com).

***Books:** **Leading at the Speed of Growth: Journey from Entrepreneur to CEO** (Wiley, 2001) and **Building the Awesome Organization** (Wiley, 2002) by Founder Katherine Catlin and Jana Matthews.*

***Seminars and Speaking Engagements:** “Growing Your Company: The CEO's Challenge,” a two-year, 7-part series for the Massachusetts Software Council, “The New Breed of Leader” at the Future Forward Conference, “Planning Bootcamp,” and many other engagements.*

**Clients Include:** Anaqua, Antenna Software, aPriori, Authentica, Authoria, Avotus, Bluespec, Circles, Concord Communications, Constant Contact, e-Dialog, Empirix, eRoom Technology, Experience, I-Logix, Inmagic, iRobot, LiveVault, PeopleCube, Monster.com, mValent, OneSource Information Services, PanGo Networks, Pantero, Soundbite, Steelpoint Technologies, The MathWorks, VFA, Sevin Rosen Funds, Polaris Venture Partners, and North Bridge Venture Partners



# The Bottom-Line Impact Experienced by our Clients

## High-Growth CEO Forums™

“The job of the CEO is inherently and unapologetically isolating. The High-Growth CEO Forum offers a refreshingly honest and sincere source of support and advice from peers who live on similar quarterdecks. Its format and strong facilitation differentiate it from other groups I have seen. The Forum is one of the most effective feedback and personal development mechanisms available to a CEO. It has made me a more effective leader and a happier, more balanced human being.”

*Colin Angle, CEO of iRobot which had a successful IPO in November 2005 establishing a market cap over \$700 million. He was also E&Y Entrepreneur of the Year winner in 2003.*

"I am a strong advocate for the CEO Forum. I grew and sold my last company for 5X more than it was worth when I started as CEO. There is no way I could have done that without the Forum. The quality of the people and input I got from them along the way was invaluable. We are all dealing with the same issues, just different context and timeframes. As you know, a CEO's biggest challenge is prioritizing – especially his/her time. The fact that most of this team never misses a meeting speaks volumes about the value proposition! As an aside, my current company is less than a year old and our last round post money was already 5X the first!"

*Paul DiGiammarino, President & CEO of Anaqua. After a successful exit, Paul is again a Forum member.*

“The Catlin & Cookman Group community was my most valued sounding board when I was CEO of eRoom – no other constituency could offer the direct, trusted and knowledgeable feedback a CEO needs when in the line of fire. Not the board, not my management team and certainly not my spouse. The CEO Forum provided me the opportunity to step back from the trees, reassess my long-term vision and strategy and gain clarity on often difficult and complex issues – and over time I built some fabulous friendships.”

*Jeffrey Beir, former CEO eRoom Technology, and currently General Partner, North Bridge Venture Partners. Jeffrey was an E&Y Entrepreneur of the Year winner in 2003*

“The Catlin & Cookman Group’s High-Growth CEO Forum was a major contributor to giving me the ideas and inspiration as an entrepreneurial CEO that led to winning the Entrepreneur of the Year Award.”

*Dan Schimmel, former CEO of OneSource Information Services and an E&Y Entrepreneur of the Year winner in 2001.*

“Given my scars and collective experiences, I would have thought that by now there would be nothing I could learn from a group such as this, but I am amazed at the insights I get from experienced and even newly appointed CEO's... I don't recall ever making a similar endorsement.”

*Gene Robinson, CEO of I-Logix, Inc*

## High-Growth Consulting

“I’ve always been an entrepreneur, and one of the things I learned early on was that I couldn’t get any synergy in my business until I had a group of people working as entrepreneurs together. We have that now at Monster.com as a result of our work with the Catlin & Cookman Group, and we also have a plan in place that will guide our future growth while helping us preserve our unique culture even as we add more and more employees here and around the world.”

*Jeff Taylor, Founder and Chief Monster, Monster.com*

"The Catlin & Cookman Group has been an invaluable partner for Authoria - amazing people and processes for providing insight and peer-review, and for driving powerful ideas into action."

*Tod Loofbourrow, CEO of Authoria Inc.*

“When facing a difficult issue on my management team, or for the company as a whole, a quick call to my Catlin & Cookman Group consultant always provides an enlightened and unbiased point of view that helps bring clarity to the decision that must be made. I consider the Catlin & Cookman Group to be a vital member of my team.”

*John Rizzi, CEO of e-Dialog*

