How to Be Startup CEO

startupguide.com/entrepreneurship/startup-ceo/

Being the CEO of a startup is one of the most challenging roles out there. Your job is to build a product customers love; recruit a team; find funding from customers, partners, or investors; and guide the overall prioritization of work.

In my experience the three most important components of the Start-up CEO's role are:

1. Creating a product that solves a real customer need (and convincing customers to pay for it).
2. Making sure your users and customers have an extremely positive emotional experience with your product.
3. Recruiting a great team to build your product.

Yes, you're also in charge of incorporating, finding a place to work, creating the foundations of your culture, hiring your first employees, setting up a bank account, creating a web site, finding early stage funding, and taking out the trash. You're basically the *Chief Everything Officer* at this early stage.

But these activities matter little if you can't figure out how to create something of value and convince others to pay for it in an exchange that benefits both parties. Figuring out your value proposition—in other words, what you sell that brings value to others—is key in this early stage. Once you show there is market demand for your core value proposition (in other words, "have happy paying customers"), the remaining steps in building a business are relatively easy.

Here's what I learned at iContact about being a startup CEO. Feel free to ask any questions you have in the comments at the bottom and I'll reply to them.

Before You Have Employees

Determining the Initial Equity Split

When you first start your business you'll need to determine who gets what percentage of the company. The initial levels of ownership are determined when you file your incorporation paperwork. If there is no one else involved then you'll simply own all the outstanding shares and 100% of the corporation. If there are other individuals involved then you'll need to negotiate what is a fair percentage for them to receive and for you to receive.

There are some key factors to take into consideration when deciding who should get what at the formation of a company. These factors include:

1. What role in the organization will each person have once the business is incorporated?
2. How much time will each person be putting in going forward?

3. How much money is each person putting in at the start of the company?
4. How much business and entrepreneurship experience does each person have?
5. Will one party be contributing any existing intellectual property to the new corporation?

If there are multiple parties involved, it's important to vest ownership over a period of years to make sure they don't walk away with the full amount if they quit after six months. The most common vesting timeframe is four years with a one year cliff, which means that they get nothing if they leave in the first 364 days, 25% from day 365-730, 50% from day 730-1095, and so on. Personally, I find it is better for employees and the company to do a shorter cliff (3 months) and extend vesting to 6 years so that you can give a bit more equity up front at the lower current fair market value rather than wait 4 years and have to make a second grant at a higher price.

If you're partnering with an experienced entrepreneur or engineer who has had multiple successes and lots of contacts and who will be putting in hundreds of thousands of dollars of their own money and working full-time on the venture together with you, expect to have to give up a lot more than if you're partnering with a first time entrepreneur or engineer with little business experience who will only be working on the venture 20 hours per week.

I recommend not splitting a company 50:50, as it will cause deadlocks. It's generally a good thing for the speed of decision-making for one person to have more than 50% of the shares (and thus the vote). Figuring out which person this should be is up to negotiation. If needed, you can ask your lawyer to divy up the shareholder vote differently than the economic interests by creating separate class of stock with extra voting rights.

Incorporating

There are many important reasons to incorporate your business. The most important benefits of incorporation are:

1. You are taken more seriously by prospects, vendors, potential employees, and potential investors.
2. You are able to open a business bank account and begin to build credit for your business.
3. You are able to protect yourself from some personal liability.
4. You pay less taxes. As an individual, you effectively pay taxes on your total income (with a few allowed deductions). As a business, you pay taxes on your net income.

You can either incorporate via a local law firm (for around $2000) or incorporate online using a service like incorporate.com or legalzoom.com for about $350.

The most common state and entity type for companies who want to raise outside investment is a Delaware C Corporation, due to the business friendly/investor friendly standardized case law in Delaware. If you incorporate in a State other than the one in which your business operates, you will need to pay another $150 or so per year for what's called a Registered Agent. I'd recommend consulting an attorney to decide whether to form an LLC, S Corp, or C Corp and to determine in which State it is best for you to incorporate your business.

Keeping Costs Extremely Low

You may be in need of funding prior to being able to develop your product or service. My strong recommendation is to raise as little money as possible but enough to get the first iteration of your product or service to market. Be as creative as you can, offering ownership in your company in exchange for early employees' work or for critical services like legal and accounting, or requesting deferred payment so that you can pay when you are able to. Keep your costs down, as low as possible, until your monthly revenues grow and enable you to increase your expenses. And do contract consulting work on the side if needed to have money to live on.

If there is a key skill-set you need to be able to produce and sell your product that you don't have (say, programming or sales), instead of looking for an employee who you have to pay, look for a business partner who will take equity in the company, vesting over time, and who will be willing to take only a very minimal salary and defer it for a couple years.

When Aaron and I started working on iContact in 2002, we deferred our salaries for three years until we got to $1 million in annual revenue in 2005. We survived by keeping company and personal costs extremely low and by doing consulting work on the side. I kept my monthly personal expenses under $1000 by living in the office that first summer and eating lots of Ramen Noodles. We didn't have any other choice.

If you are an experienced entrepreneur and have sold a company for more than $25 million in the past, raising funding for your new venture won't be difficult. But beware that sometimes having funding is more of a curse than a benefit because it removes the pressure to get customers to pay for your product, which is generally a good pressure to have. If you are a first time entrepreneur, raising outside funding will be very difficult until you can prove that you can sell something to somebody. Debt funding won't be available either until your business is turning a monthly profit, unless you have personal or corporate assets you can secure the loan against.

See the section below on "When To Raise Venture Capital" for more on the right timing for raising funding.

Understanding the Role of the Entrepreneur

Growing up in Florida, I didn't really know much about entrepreneurship and business, but as I began working in companies around the age of 16 and 17, and started my company, iContact, at 18, I discovered that there's an entirely different world out there. In fact, there's a world of prosperity and great wealth out there for you to reach for. You can enter this world. But first, you have to be aware that it exists and you have to work hard to create value for others.

There are multiple ways to build wealth over time through entrepreneurship. You can take an annual salary, you can take profit distributions (dividends), and you can sell stock in the company that you own (later on, when it has revenues and profits) either in private markets through firms like Second Market or in public markets via an IPO. A successful entrepreneur who builds a strong team and brings immense value to a large customer base can earn tens or sometimes hundreds of millions of dollars for changing an industry.

It is the entrepreneur's role to bring together the people and resources necessary to build your product and company. An entrepreneur takes initiative and has a bias toward action, has the ability to take feedback, has a high tolerance for stress and is very determined. An entrepreneur also has decisiveness, courage, and the ability to deal with failure. An entrepreneur is often someone who is quite creative, has the ability to learn quickly, and perseveres through nearly anything. An entrepreneur can delay gratification and has a drive to achieve and the abilities to plan, build a team, inspire and lead, and prioritize.

The "I Just Need $250,000 to Get Started" Complaint

When I hear first-time entrepreneurs say, "All I need is $250,000 to start my business and as soon as I raise this money I'll be able to get started," I get concerned for them. Unless they have a wealthy family member who is willing to take a big bet, I worry they are going to spend the next nine months of their lives trying to raise this money, only to find it is not available or not available at terms they can live with.

Instead of planning to raise $250,000 and then getting started, plan to raise $10,000 from your own savings and close friends and:

1. Incorporate.

2. Figure out how to convince people to work for you for next to nothing (in exchange for equity and deferred salary).
3. Create a product or service that you can sell.
4. Start selling.
5. Use the revenue you are making to finance future product improvements and development.
6. Once you get to $15,000 per month in sales, then go look for seed funding to improve your product scale up your model if needed!

Filtering Out the “Talkers” from the “Doers”

It may take you a year or more to get your business to $15,000 per month in sales. That is okay. Generating revenue for your business without much outside capital is really hard. It is supposed to be. There are millions of people with great business ideas, but only a select few, perhaps 2-3%, can take their idea and execute by turning them into something that people will pay for, over and over.

This difficult process filters out talkers from doers. Most people are talkers. Investors know that investing in someone who has figured out how to create something from nothing (creating a solution to a need that people will pay to have solved) provides a much higher chance of generating a return than investing in someone who just has an idea and “needs” your money to even get started. Entrepreneurs who simply “can’t” get started on anything until they get lots of funding must learn to become much more resourceful and figure out how to pull together an initial product that customers will pay for or at least a prototype that proves there is demand.

Creating Something from Nothing

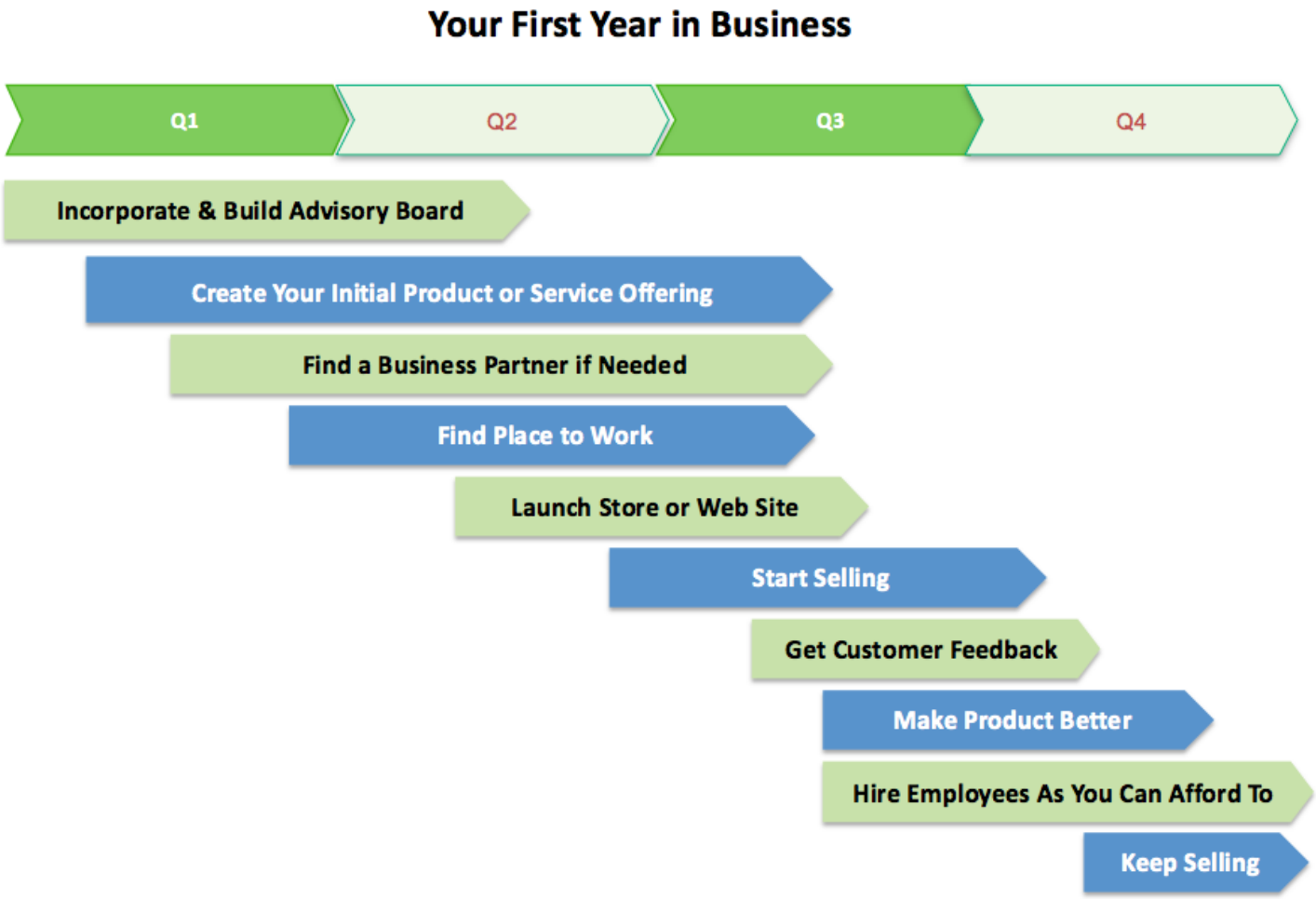
The act of “creating something from nothing” cannot be modeled in a Goldman Sachs spreadsheet. It is the magic that entrepreneurs and entrepreneurial engineers have. This is, definitionally, what entrepreneurs do–bring together the resources of land, labor, capital, and entrepreneurial ability to create something of value that is greater than the cost of the sum of inputs and sell it to the marketplace.

Once you get to, say, $15,000 per month in recurring revenue, it will be so much easier to raise equity funding. Don’t wait until you are there to start building relationships with investors—but do wait until your business has existing revenue before you actually ask for their money. You will receive much better terms and give up a lot less control and ownership. Firms like Instagram that sell for hundreds of millions of dollars without generating revenue are extraordinarily rare and unfortunately have the side effect of inspiring lots of companies to get started and invest time in a product that has no way of generating revenue.

I’m not saying that if investment funding is available pre-revenue, don’t take it. I am saying that in most cases, as a first time entrepreneur, investment funding pre-revenue will simply not be available without a herculean effort that may end up diluting you so much that you wish you had found a way to fund initial expenses with sales or personal funds.

By focusing on building a real company (with happy paying customers and growing revenue) rather than an app with no clear revenue model, you’ll have a higher chance of creating a sustainable business in which revenues are greater than expenses. Sustainability of cash flows buys you time and it prevents costly dilution. Time is a good thing to have in business. Cash flow is king, as they say.

Here is a summary Gantt chart for the common activities you’ll need to pursue in your first year.



Being a CEO With 1-5 Employees

Once you have employees, you transition from being the *Chief Everything Officer* to the *Chief Energy Officer*. It's no longer your job to do everything. Now, you get things done based on the quality of the team around you and your ability to clearly communicate and guide the team toward a shared outcome.

Two really crazy things happen when you hire your first employee. Suddenly you're responsible for the livelihood for another human being. And now you have to manage someone.

If you've been a parent, you have nothing to worry about. Managing an employee is much easier than managing a child. But if you've never been a parent before, watch out. Your life forever changes as a CEO when it's no longer just you and a partner or two to worry about. The most important things to know about management are this:

1. Only hire people who can do their job better than you could.
2. Hire people who have a positive attitude, have a strong work-ethic, and can communicate effectively.
3. Hire people who are motivated intrinsically by the mission the company is focused on achieving (make sure you define what change your company is focused on making in the world extremely clearly on your web site, in recruiting, and to all candidates. The best candidates are driven by purpose and impact, not money).
4. Communicate clearly where the team is going.
5. Set up an objective system in advance to track performance to pre-set communicated goals.
6. Trust people to do their job. Don't micromanage.
7. Let go of people quickly if they aren't performing and hitting their goals. Never keep underperformers around

for more than 30 days as they will drag the whole team down and lower the bar for the existing team as well as all future hires.

Your first few hires will absolutely be critical in the long term success of your business. But know that you won't get it perfectly right no matter what you do. The most important thing is that you hire someone to begin taking over the basic operational tasks. If they're not right, you can get someone else. You must begin the process of scaling yourself by hiring others who can free up your time to focus on growing the business instead of working in the business. If you don't, you'll forever have a job and never a business.

The Importance of Making the First Hire

I'll tell a quick story illustrating the importance of making the first hire. When I was 14 and living in Bradenton, Florida, I built a web site for a lady named Lois. Lois was a flight attendant with Northwest Airlines. She would fly on the international routes to China once a month. She began bringing back freshwater pearl necklaces, pendants, rings, and earrings to sell to her friends. They became quite popular and she would get many requests.

When Lois and I met in the Spring of 1998, she asked if I could build a web site for her at fr eshwaterpearls.com. She incorporated and we set up the merchant account, shopping cart, and ecommerce store. We got listed in the major search engines, which at the time were Yahoo, Lycos, Dogpile, and Northern Lights. Six months in, her company was up to about $5000 per month in sales and about $1500 per month in net profit. She came to a critical decision point. Should she continue to do everything herself or hire her first employee to take over customer service and product fulfillment?

Lois decided that she would give up too much of her profit if she hired someone, so continued to do the customer service and product fulfillment herself. The business continued to grow. By month nine the business was up to about $7,000 per month in sales and $2,000 per month in profit. But after going through some family issues, Lois decided to shut down the business because the $2000 per month she was making wasn't worth the hassle to her. Lois no doubt lost out on a multi-million dollar opportunity by choosing to shut the business down rather than taking a leap of faith and hiring her first employee and beginning to scale the organization.

So at 14, I learned the key lesson that as soon as you can afford to, hire your first employee, even if you have to use every single dollar of net profit you have to do it. Hiring this person will enable you to focus on growing the business well beyond its current level.

Hiring Your First Employees

When I started working at iContact in the Summer of 2003, I would sleep in the office on a futon. I'd wake up at 2pm or 3pm, roll out of bed to the desk and just start typing. I'd work until 7am, go have "dinner" at McDonald's, then go to sleep and put the schedule on repeat most nights. Only when Erin, my girlfriend at the time, came over would I adjust the schedule a bit. For those first few months, Aaron and I, with occasional help from a couple of friends of ours, were the only ones working on iContact.

Once we hired our first employee, Josh Carlton, in September 2003, suddenly I had to think about having more "normal" working hours. I got an apartment a few miles away and would come in at the very early hour of 11am, way earlier than my internal clock would have told me.

We hired Josh as an intern to help us with picking up the phone when customers would call needing help with iContact. We had put up a flyer at UNC's Kenan Flagler business school advertising an internship at a "Chapel Hill Software Startup." We named Josh our "VP of Customer Service." After a month, we agreed to pay him $1000 per month plus 7% of the company (which was a bit too much, but fortunately we vested it over four years) to stay on and do both our customer service and marketing. Josh stayed for eight months until his fiancée graduated from

accounting school and moved to Texas to do a Masters in Advertising.

One of Josh's first responsibilities was to send out a press release to the local news about the company. The *Chapel Hill Herald* picked up the story. This article was how we found our second employee, David Roth.

David was a 56-year-old from Brooklyn who had significant business experience as an accountant and a truffles salesman. He joined our team as our VP of Business Development and took a salary of just $30,000 per year and negotiated 15% of the company. David brought a lot to the company by way of the respect we gained from having an actual adult and experienced business person on our team. He led our BD efforts for six years before leaving iContact in 2010.

Our next two hires came in February 2004 when we brought on David Rasch as our lead developer and May 2004 when we brought on Brad Gurley to be our Director of Support once Josh left for grad school. We found these initial hires from sites like LinkedIn, Craigslist, Monster, and CareerBuilder. By May 2004 we had five full-time employees at iContact including Aaron and I. We were a motley crew—four kids in their early 20s and David at 56—rocking it all hours of the day and night.

Turning Your Job Into a Business

It's an exciting time when you're hiring your first employees. You are in the process of turning a job into a true business. If your business isn't making money while you're sleeping, you have a job and not a business. And if you can't take two months off and come back to find your business doing better than when you left, you have a job and not a business. Hiring your first team members is the first step in this process of removing yourself from the day to day operations so you can work *on* the business instead of *in* the business.

During this phase, do all you can to enable the company to survive. You should be in charge of product development or sales, or both. Keep your costs low and focus on product development and sales. "Sell, sell, sell" should be your motto, with "listen, listen, listen" as a secondary mantra, representing the need to incorporate customer feedback to make your offering better so you can sell even more.

Building an Advisory Board

Surrounding yourself with individuals much more experienced than yourself, who have already achieved what you want to achieve, is critical to your ability to quickly learn what you need to learn in order to succeed in building your business. I strongly recommend spending some time identifying people who have already done what you want to do and reaching out to them. Invite them to coffee and lunch. Probably 2 out of 10 people you reach out to will say yes. You can double this success ratio by getting an introduction from someone you know who also knows them.

Take these potential mentors out to lunch and tell them briefly what you do and then ask them questions. Don't try to sell them on anything or convince them to invest or join anything yet. At the end of the first meeting, tell them you really enjoyed meeting with them and ask if you could meet again in 2-3 months once you've made some further progress. Almost everyone will say yes to this request if made in person, simply because they know that so few people actually follow up in these cases.

Two months later, follow up and schedule a second lunch or coffee. At the end of the this second lunch or coffee with your prospective mentor, you will have done what only 5% of the people who have ever asked them for help have every done. You have met with them twice. At this point, ask if they'd be willing to meet with you once per quarter. If you want, you can also ask if you can list them as a member of your informal advisory board on your website or in your investor deck. Now, you've got them, and as long as you curate the relationship carefully over time, they will always be available to you as a mentor and guide.

The mistake most people make in building an advisory board is asking people to join something formal with a defined commitment after one hour of talking. Most busy people don't have time for another formal commitment, except to individuals they've known for years. So build the relationship over time and then ask for an informal commitment. As they get to know you and your business and see you actually doing what you say you're going to do (something 98% of people do not, for some reason!), they will be more and more willing to help you. Why? Because they get the benefit of giving back and perhaps being able to brag to their friends that they were part of something that became successful at the very early stages.

The Characteristics of a Good CEO

Now that it's more than just you, it's worth sharing some of the characteristics of a good Chief Executive Officer.

> 1. *Ability to understand the needs of the customer*
> 2. *Ability to create products that solve the customer need*
> 3. *Confidence*
> 4. *Humility*
> 5. *Aptitude for public speaking*
> 6. *Ability to communicate a vision*
> 7. *Ability to authentically care about employees and customers*
> 8. *Desire to work hard*

Setting Up Office Space

Once you have a few employees, it may be time to find some space for people to work out of. You can probably keep working out of your house or garage until your team numbers around five people, but once you get there it may be time to sign a lease. You can work with a commercial real estate broker for free (the builder owner usually pays their fee) so it is worth reaching out to one to get their assistance in finding the right space for your business. In the early stages, keep your monthly costs as low as possible and your length of commitment as short as possible.

Avoiding Micromanagement

One of the biggest mistakes I made as a young manager was being a micromanager. I would give unclear directions and then come back the next day and suggest minute changes, like adjusting the font size on something. I can only imagine that it was a bit frustrating working for me in those early days.

I learned later that the only way to scale yourself is to hire individuals who can do their job much better than you could do their job—and to set goals with them and hold them accountable to their goals—but not to tell them how to do their job. Aaron and I learned early that a business can only scale its revenues as fast as the quality of the people it hires.

Setting Up An Accounting System

Make sure you hire a bookkeeper to keep track of and categorize your revenues and expenses (and if you can't afford one, learn how to do it yourself). Have them send you a monthly income statement, balance sheet, and cash flow statement. Learn how to read a financial statement if you don't know how. It's up to you if you want to see you

statements in a cash basis or accrual basis.

Most common accounting packages like QuickBooks and Peachtree or (or online accounting tools like Xero, Kashoo, or Legerble) can produce both cash basis and accrual basis reports. You will need an accounting system set up to be able to raise investment later.

Outsourcing Payroll

Unless you're purposely masochistic, there's just no reason to attempt to do your payroll yourself. Hire a firm like Paychex, ADP, or Intuit Online Payroll to do it for you. They'll take care of all the tax withholdings, calculations, and government compliance. ADP and Paychex can also set up a 401(k) program for your company.

Cash is King

At this point in your business's early existence, cash is king. The most important figure is the amount of cash you have in the bank, with the second most important figure being the amount of outstanding checks you have. Your job is to do everything necessary to keep the bank balance above zero.

With two to five employees, you don't need to worry yet about communication or processes, especially if you're all working within a few feet of each other. Just survive and get a product to market that you can sell over and over and constantly improve. Put every dollar you make back into people, product, technology, sales, and marketing.

Holding Your First Board Meeting

There are certain things you have to do in order to make sure your status as a corporation is protected. The most important thing is to make sure you have a separate bank account for your business and to make sure you don't run personal expenses through the business bank account.

The second thing you need to do is to hold a meeting of your Board of Directors at least annually and take and capture minutes from the meeting. In the beginning, you or you and your business partner may be the only Board Member(s). That is okay. You can add other board members later if you raise funding.

Document the attendees and decisions the Board makes in your minutes and file them away. Your law firm can provide forms to help you capture the minutes. Over time, you'll build a professional Board of Directors who can serve as mentors and guides as the business grows into new levels of complexity.

Putting in Place Real Time Dashboards

One of the most valuable things we ever did at iContact was put in place real time, visible dashboards. You can use tools like GeckoBoard or KissMetrics, or more complex tools like Salesforce.com. Here are the main dashboards we had at iContact:

1. CEO Graphs Dashboard (built within Salesforce.com)
2. CEO Data Dashboard (custom built)
3. Mail Sending Dashboard
4. Call Center Dashboard

Within our Salesforce.com CRM tool we had over 30 dashboards, ranging from marketing dashboards to a dashboard tracking our volunteering activities through a tool called VolunteerForce.

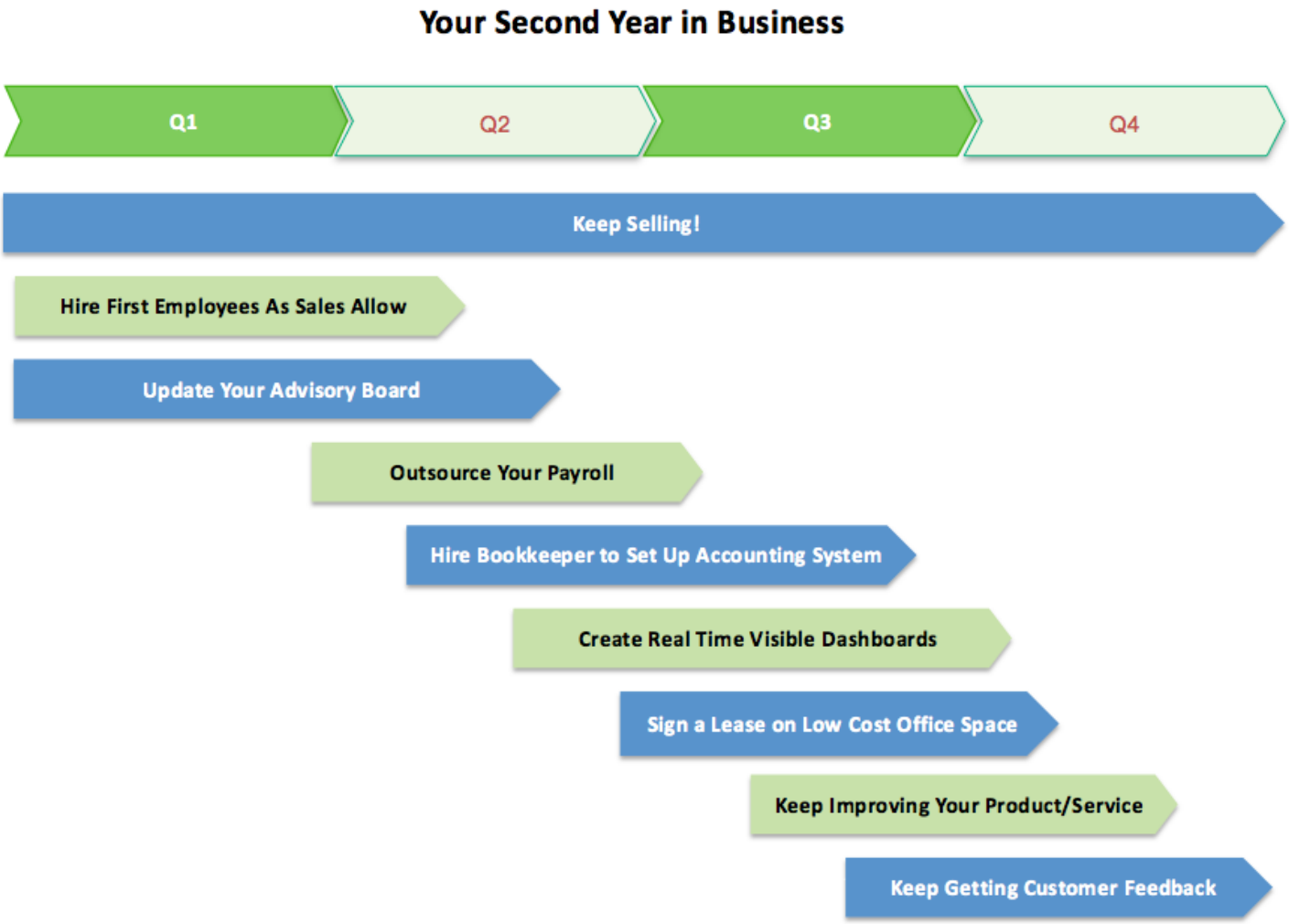
At the very least, you should have a dashboard that is displayed on a flat screen TV somewhere in your office that shows basic information like how many customers you have, your monthly sales, and how many new customers you added that month. If you don't know how many customers you have and how many customers you added per month to date, you should start tracking this most basic data. Even in a brick-and-mortar business like a florist shop or a restaurant, you should know how many new and repeat customers you get in a month.

When iContact acquired the event marketing tool Ettend.com in April 2010 from entrepreneur Rick Reich, the first thing I asked Rick to do after the transaction was put in place an improved dashboard that could show me at a glance how the business was performing.

I've found there to be a correlation between companies that have real-time or near real-time visible metrics displayed in their office and companies that are wildly successful and reach lists like INC 500 and can raise outside investment capital.

While your company is small, set up your system of dashboards now so that you can manage the business effectively as you grow.

Here is a summary Gantt chart for the common activities you'll need to pursue in your second year in business or when you have between two and five team members.



Being a CEO With 6-25 Employees

Congratulations. You have six employees. You're running a real business. You have revenues approaching $25,000

per month (you'd better, or else what are you doing with all those employees?!). If you took a month off, the business would probably still be there when you got back.

Now, it's time to:

1. Put in place some basic systems and tools to automate your operations and prepare for growth
2. Figure out your customer unit economics so you can determine whether it makes sense to raise outside capital to scale your customer acquisition
3. And as your revenue growth allows:

- Hire a really good person to own marketing
- Hire a really good person to own customer service
- Hire a really good person to own sales
- Hire a really good person to own R&D/product development
- Hire an in-house bookkeeper or controller to own accounting
- Hire a really good administrative assistant who enables you to maximize your productivity

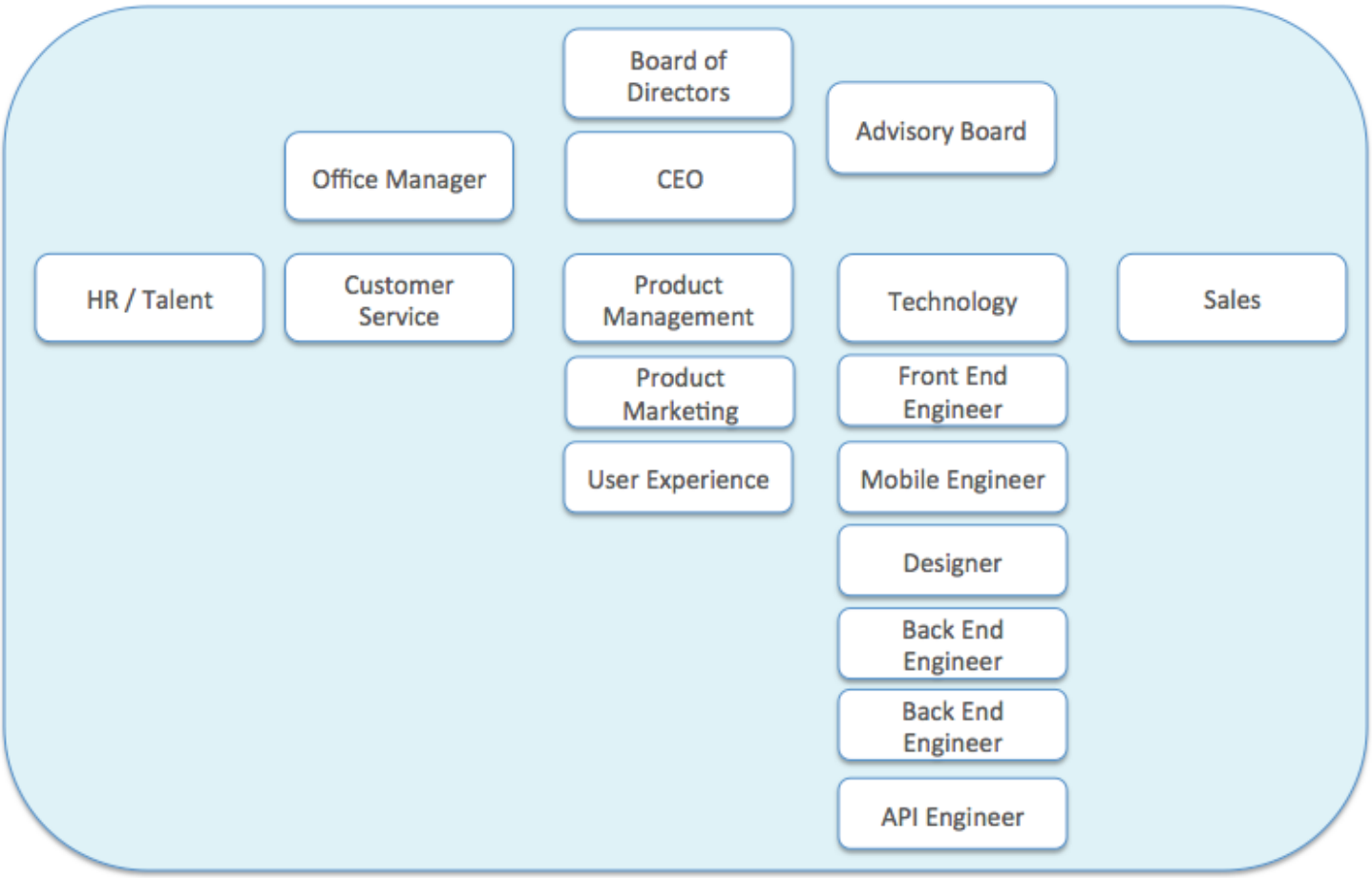
Ask yourself, what is your specialty? What are you good at? Most early-stage CEOs are either really good at sales, marketing, and product vision or really good at technology and R&D. Find someone to own what you're not good at.

You should never have more than seven direct reports. So once you get to eight employees including yourself, you'll have to create your first layer of management. Most often this is done by functional area, with all the support reps reporting to the Director of Support, the developers reporting to the CTO, the sales reps reporting to the Director of Sales, etc. and all the Directors reporting to you.

Instead of starting out by naming every early employee a VP like we did, I would recommend avoiding the VP title for the first couple years of your business. While you're still under 25 employees, just call someone a Director or Manager if you can. Only once you have more than 7 directors will you need a VP title. This title structure will help you reduce the chances of having to later demote early VPs to Director roles as the organization scales.

Example Org Chart

As an example, at fifteen employees an org chart for a software company might look something like this:



Creating a Basic Meeting Rhythm

As you move beyond working in a single room, creating a basic meeting structure will be helpful.

When we had 6-25 employees at iContact, we simply had a weekly staff meeting with everyone in the company—back when we could actually fit everyone in one room!

Every week, we reviewed the company's weekly results (sales, trials, conversions), tracked progress against each of our quarterly priorities, and reviewed the status of each of our company-wide projects. We eventually came up with Key Performance Indicators and quantitative measures of success and started marking each KPI as red, yellow, green, or supergreen based on how we were performing. We were as objective as possible about results, and did our best to leave subjectivity out of the assessments. By making it clear in advance which metrics individuals were responsible for and would be compensated on, we had an easier time assessing performance later.

We would also hold a company-wide offsite every six months called iContact Day at which we talked about strategy and the future of the business.

At 300 employees, we had a more complex meeting rhythm that consisted of a weekly Senior Leadership Team (SLT) Meeting, a weekly Operating Committee Meeting, monthly company-wide meetings, quarterly company-wide kickoffs, and quarterly SLT offsites on team health, operations, and strategy.

By this stage, our weekly meeting consisted of the eight-member Senior Leadership Team (CEO, CTO, CFO, CMO, SVP Sales, SVP Support, SVP HR) and another eight members of what we call the Operating Committee. At this weekly meeting we did three things:

1. Quarterly Priorities Review: Have the Operating Committee owner of each quarterly priority report on its progress
2. KPI Review: Review the Red, Yellow, Green, Supergreen coded results for about 8 company-wide metrics plus about sixty departmental metrics, tracked weekly via a Google Doc (we should have fully automated this!)
3. Announcements and Open Agenda Items: Anyone can bring anything up for discussion

Defining Your Company Values

Back in 2006, we defined our company values. For three years we had a list of ten company values. We printed them up on big cardstock boards and had everyone sign the back at each iContact Day.

There was only one problem. No one could remember them. I once tried to recall the values without looking at the sheet and got to four before my memory failed me.

We had to re-do our values—make them unique to us and easy to remember.

On a Thursday in December 2009 in Chapel Hill, our Senior Leadership Team met for a two-day offsite to create our first ever One Page Strategic Plan (OPSP) following a format that comes from the book *The Rockefeller Habits.* The OPSP has a very visible section on the left side within which you are supposed to put your values. We took the entire first day to redefine our company's values.

Our facilitator, Patrick Thean, started out by asking us to write down the five words that we felt most described our company culture. When we were done, he wrote all the words, perhaps 30 in total, on a flipchart. He found the commonalities amongst similar words and got us down to eight words that defined our culture. He then had us each vote for three.

Patrick took the tally and it was clear what our top values were. There was a tie between five and six and so we debated for about an hour over which one was truly more important and more descriptive. We eventually settled on incorporating number five, "Have Fun and Be Wacky," into the descriptive language underneath another value.

Finally, we needed to create an acronym that would make it easy for everyone in the company to remember the values.

We started out with

"Wow the Customer"
"Operate With Excellence"
"Act With Urgency"
"Treat People With Respect"
"Act Like an Owner"

We didn't want to have WOATA be our values acronym! After two hours of restructuring we came up with:

> *"**W**ow the Customer"*
> *"**O**perate With Urgency"*
> *"**W**ork Without Mediocrity"*
> *"**M**ake a Positive Wake"*
> *"**E**ngage as an Owner"*

We got it. Our values acronym was WOWME! Much better. We rolled out WOWME a few weeks later on January 9th, 2010, and immediately integrated our values into everything we did, from our training to employee recognition system to our performance reviews. We made sure chanting WOWME was a key part of every company-wide meeting.

To help the values spread, we implemented a WOWME Awards program in which employees would nominate other employees for either wowing the customer, operating with urgency, working without mediocrity, making a positive wake, or engaging as an owner. We automated the nomination system using our CRM tool Salesforce.com. We put an annual amount of $40,000 into the awards pot and split the winnings between the employees who received at least three approved nominations for all five letters.

Entrepreneur Exercise: Define Your Company's Values

Time Needed: 5-8 Hours

Steps:

1. Gather your Management Team (or whole company depending on size) together for a full-day offsite. If it's just you or you and a partner, you can adjust this exercise appropriately.
2. Start by asking the group to each write down five values that most describe your culture and make your firm particularly unique.
3. Write down all of the values on a flip chart.
4. Group similar values together to come up with high level values. You can use the words underneath later in writing a couple sentence description of each value.
5. Get the list down to no more than 10 semi-finalists. Debate which ones should be on the list of 10 and which should not. Avoid generic values like "Be Ethical" or "Have Integrity," which every firm has.
6. Have each team member vote for the top three values they feel most represent your company, what it stands for, and what makes it unique.
7. Tally the votes and write down the top five on a new flip chart paper. Debate if these are the right five to be on the sheet. Resist the temptation to have more than five.
8. Work to turn your five final values into a memorable acronym by rearranging them and changing the wording but not the meaning of each value.
9. Make sure all your values are unique and memorable.
10. Roll-out your values and values acronym to your whole company and integrate your values into everything you do. Post them everywhere, include them in your performance review forms, and insert them into everyday language at the company.

Defining Your Vision and Mission

One of the CEO's most important roles is to communicate the vision of the organization. This becomes even more important as the organization grows. If you have a vision but don't communicate it, you might as well not have a vision.

iContact's vision was "to build a great global company based in North Carolina for our customers, employees, and community." A vision is something you strive toward in the future. A mission on the other hand, is how you serve your customer today. iContact's mission was to "Power SMB's Online Marketing Success."

Being CEO with 26-250 Employees

Once you get past the start-up phase when you're responsible for everything as "Chief Everything Officer", the six

parts of the later stage CEO role become:

1. Set Purpose, Mission, and Vision
2. Define the Culture & Values
3. Manage the Senior Leadership Team
4. Oversee Resource Allocation (How money is spent)
5. Communicate with Stakeholders (Employees, Board, Investors, Media, Partners, Community)
6. Be a Customer Advocate

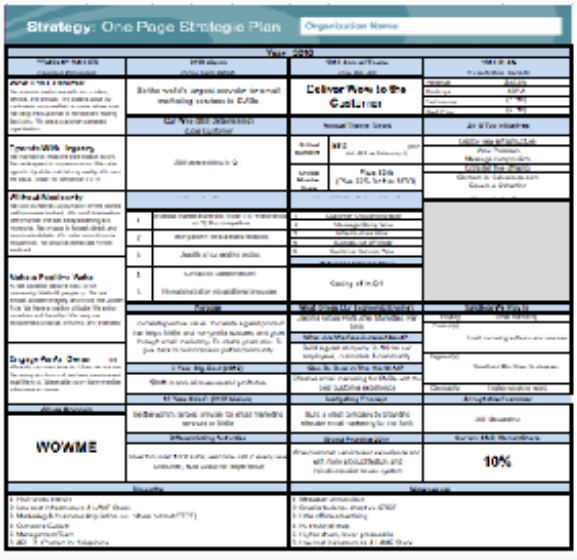
Creating A Clear Strategy That All Employees Know About

As you grow beyond 25 employees, you'll find consistent employee communicating is one of the most important roles of the CEO. It's no longer about the work you do, it's about the work of you dozens of employees being coordinated toward the same overarching clear goals. It's your job to make sure the direction the company is going in is clear and that all employees understand what it is your company is working on becoming the best in the world at.

At iContact we would hold an annual three-day retreat (usually in the NC Mountains) with our eight person Senior Leadership Team to set our objectives and plan for the year and then a quarterly 1 day off-site to set our targets for the upcoming quarter. We used a model called the One Page Strategic Plan that enabled our Senior Leadership Team to express our plans in a document that could be printed out on one sheet of paper. At each annual retreat we would update the left side of the plan and at each quarterly retreat we'd update the right side of the plan.

You can download the blank template we used for the one page strategy plan and a blank template of the original from a company called Gazelles. When we were finished, we have a meeting with the next-level down in the organization (which we called the Leadership Team) to gather feedback and then would distribute the document to all employees at the beginning of each quarter and hold a kickoff all-hands meetings to talk about the quarter or year's goals.

Putting in Place an



Example One Page Strategic Plan

Employee Handbook

Creating a single digital or printed manual that employees can refer to when they have questions about things like

stock option plans, paid time off policies, and health benefits can be really helpful and save you and your fledgling HR department a lot of time. Try to document all the key policies and procedures you have and publish them annually in an Employee Handbook. Our employee handbook today contains the following sections:

1. Acceptable Use Policy
2. Attendance Policy
3. Badges Policy
4. Benefits Policy
5. Blogging Guidelines
6. Change of Information Policy
7. Community Giving Policy
8. Confidentiality Policy
9. Disability Leave
10. Dress Code Policy
11. Drug Policy
12. Ethics Policy
13. Employee Referral Policy
14. Family Medical Leave Policy
15. Food Policy
16. Freelancing Policy
17. Harassment/Professional Conduct Policy
18. Holidays Policy
19. Inclement Weather Policy
20. Internal Transfer Policy
21. Medical Leave
22. Paternity Leave
    Maternity Leave
23. New Hire Forms Procedure
24. Paid Time Off (PTO) Policy
25. Payroll Procedure
26. Performance Evaluations
27. Phone Usage Policy
28. Printing Policy
29. Reimbursement/Purchase Requisition Procedure
30. Short Term Leave Policy
31. Supplier Policy
32. Travel & Entertainment Policy
33. Workers' Compensation Policy

Creating a Performance Review Process

As your organization grows, you'll eventually hire a full-time Director of HR and install what's called a Human Resources Information Systems (also known as a Human Resources Management System) that manages all aspects of HR including:

1. Payroll
2. Talent Management
3. Recruiting
4. Performance Reviews
5. Total Rewards/Compensation

Services that perform these tasks range from outsourced payroll providers like Paychex and ADP to web-based tools like SuccessFactors and Taleo. SAP, Oracle, Workday, and PeopleSoft also have HRIS solutions for larger companies.

Eventually, you should implement a 360-degree performance review form. This form can be used for managers to get feedback from their peers and their staff members.

For now, you just need a basic performance review process in place. This can start with an Excel Spreadsheet or Microsoft Word document.

Here's the original performance review template we used at iContact. We later moved on to an automated online solution, but a Word document can work just fine until you have 100+ employees, in my opinion.

Original iContact Performance Review Template

Team Member Being Reviewed: _____ Review Period: _____

Supervisor Name: _____ Position of Team Member: _____

Part One: Open Response

Please respond to each of the below questions to the best of your ability.

1. Generally, how do you feel the team member has performed in their job over the past year?
2. What specifically do you view to be the strengths of this individual?
3. Can you provide an example when you feel the team member did an especially good job in the past six months?
4. What specifically do you view to be the items that the individual should work on in the next six months?

Part Two: Ranking Questions

Alignment with Values, 1-5 scale

1. Wow the Customer
2. Operate With Urgency
3. Without Mediocrity
4. Make a Positive Wake
5. Engage As An Owner

Please rank the team member on the following items on a scale of 1-5.

1. Overall Results
2. Accountability
3. Delivering on commitments
4. Hitting deadlines
5. Working diligently
6. Working efficiently
7. Punctuality
8. Listening Ability
9. Receiving Feedback
10. Quality/Detail Attention
11. Expression of Ideas
12. Contribution to a common effort
13. Cooperation with the team
14. Fulfilling job responsibilities
15. Advocacy for Customer

Setting Up a 401(k) and Health Care Plan

As you get past a handful of team members and your sales volume can support additional investments in your team, consider setting up a 401(k) retirement program and beginning to provide health coverage to your employees. You can often use your payroll provider to set up a 401(k) program. To encourage employees to save, when you can afford to you may wish to match a percentage of employee contributions. iContact matched 25% of all employee contributions to their 401(k) plans for the first 4% of salary contributed.

To set up a health care plan, go online and find a couple health care providers in your state. As you consider which plan and provider to select for your company, take into consideration the major components of each plan outside of cost:

The major components of a health care plan include:

1. The deductible
2. The co-pay
3. The cost of generic and brand name prescriptions
4. The network coverage

In the United States, there are three general types of health care plans. A PPO plan is generally considered more employee-friendly than an HMO or HSA plan but has the highest costs. Here's a summary of the three types of health care plans:

1. PPO (Preferred Provider Organization) – Uses a large network of health providers that your employees can access. PPOs usually provide the most network coverage to the employee.
2. HMO (Health Maintenance Organization) – Reduces costs by insuring visits at only in-network health care providers.
3. HSA (Health Savings Account) – Enables employees to create a savings account that they can draw from tax free to cover high deductible health care plans. The company can contribute to the savings account in addition to the employee.

Creating an Incentive Compensation System

There are many reasons why people are motivated to work—for money, to be part of a team on a common mission, to feel challenged, to make a positive difference, and to have their talents appreciated. Getting your non-monetary compensation system right is just as important as getting your monetary compensation system right.

Compensation has a few different components to it, including base salary, incentive compensation (also known as bonus compensation), the ability to participate in the upside of a company via stock options or restricted stock units, and your benefits package.

For the first few employees, you will likely have to use every ounce of your persuasive abilities to convince great people to work for you for free or next to nothing. In the beginning, you pay what you can in cash or deferred salary and the rest in an ownership stake in your business.

Once you get to a multi-layered company in which everyone no longer reports to you (this tends to happen around the 5-8 employees mark), it becomes important to define in writing how your employees will be compensated.

The base salary component is generally established at the time of hiring and adjusted annually or at the time of promotions.

Incentive compensation is known by various names, including incentive comp, performance-based pay, variable pay, and bonus.

You can either create an employee profit-sharing pool or have a bonus for each employee as a percentage of their pay that is paid out quarterly, twice per year, or annually. This allows the management to tie compensation directly to quantitative company, team, and individual performance.

How much of someone's total compensation should be in the form of performance-based pay? It depends on their

role in the organization.

Employee Type	% of Pay Performance Based
Sales Executive	40%
Senior Non-Sales Executive	30%
Director	25%
Manager	20%
Supervisor	15%
Staff-Level	10%

Sales executives usually have the most amount of their compensation in the form of variable pay, as they are the individuals who are most driven by monetary incentives and want their compensation to be representative of their performance.

For SVPs and VPs outside of sales, 30% is a normal percentage for variable pay, going down the scale to 10% at the staff-level, who often want the large majority of their pay to be guaranteed.

The measures that the incentive comp are based on can be set quarterly, semi-annually, or annually. I prefer to set the company and departmental KPIs to which the incentive compensation system is tied twice per year. Every quarter is too often and once per year doesn't provide enough flexibility to adjust incentives as the business changes.

The employee should be able to overperform on their incentive compensation if they and the company do really well.

The incentive compensation component should be based on both how the company performs and how the individual performs. I've found that having 50% of someone's incentive comp based on company performance and 50% based on individual performance aligns incentives well.

Here's an example of a compensation plan for a non-sales executive:

Example Non-Sales Executive Compensation Plan

2H 2016 INCENTIVE COMP PLAN FOR EXECUTIVE NAME

Executive had a $40,000 annual bonus for 2016. It will be paid out in 2H 2016 based on the following guidelines:

1. 25% based on the company hitting or beating the Annual Revenue Goal from the 2011 Board Approved Plan

Greater than $XX.XX million in Revenue

1. 25% based on the company hitting or beating the Annual Net Income Goal from the 2010 Board Approved Plan

Greater than $X.XX million in Net Income

1. 10% for each KPI achieved in green for 6 mo. average
2. +2.5% for each KPI achieved in SuperGreen for 6 month average
3. If all above metrics hit and all KPIs Supergreen possible payout is 118%

DEPARTMENTAL KPIs	DEFINITION OF GREEN	DEFINITION OF SUPERGREEN (+2.5% Bonus Per KPI)
Departmental KPI 1	2.75-3.5	<2.75
Departmental KPI 2	83-85	80-82.9
Departmental KPI 3	97-99	>99
Departmental KPI 4	99-99.5	>99.5
Departmental KPI 5	65-70	70-80

Incentive compensation for 2H 2016 will be paid out on January 31, 2017.

Agreed:

_____ _____

Executive Date

_____ _____

CEO Date

And here’s an example of a compensation plan for a VP of Sales:

Example VP Sales Compensation Plan

Employee: _____

Title: _____

Annual Variable Comp: $100,000

Quarterly Revenue Goals: 50% of variable comp

1. Q1: $X.XXM
2. Q2: $X.XXM
3. Q3: $X.XXM
4. Q4: $X.XXM
5. Total: $XX.XXM

Company Goals per KPI Spreadsheet: 50% of variable comp

Company goals per KPI spreadsheet:

1. 2.5% of each metric attained at green level (10 metrics in total)
2. Estimated for quarterly payment on 1Q & 3Q
3. Reconciled at actual attainment for 2Q & 4Q payments

Payment Schedule

All variable compensation (except where noted above) will be calculated and paid on a quarterly basis. The amounts will be reviewed and approved by the CFO and CEO prior to payment.

Accepted:

Employee:

_____ Date: _____

Approved:

CEO: _____ Date: _____

Setting Up an Options Plan

Once you have your incentive compensation plan for each team member, it is time to set up your options plan. Your Board of Directors should approve a pool of shares in your company that you can use for your key team members.

The right size option pool for your company will depend on how much you want to use stock options as part of your compensation mix as well as how much you can pay in cash. If you can pay a market salary, then there's no need to use stock options widely. If you cannot, they can be of significant use.

Let's assume you're a normal high-growth start up and you can only pay salaries that are 50% of what is normal. In this case, here are some guidelines for options in the first four years. This chart is designed for employees, not founders. The ranges are in place based on the amount of experience the individual brings to the table.

Rule of Thumb for Stock Option Percentages

	Joined At Start	Joined Year 1	Joined Year 2	Joined Year 3	Joined Year 4+

CFO, CMO, CTO	10%	5%	2.5%	1.5%	1.0%
Vice President	5%	2.5%	1%	.75%	0.50%
Director/Manager	3%	1%	.75%	.35%	0.15%
Engineer	3%	.75%	.50%	.25%	0.10%
Full-time Staff	2%	.5%	.25%	.10%	.05%

It is standard for stock options to vest over four years, meaning that if someone leaves after a year they will only receive 25% of the total amount.

When you provide stock options to employees you usually provide incentive stock options (ISOs) which have certain tax benefits to non-qualified stock options that can be used for contractors and service providers. One downside to ISOs you should know about is that an employee must usually exercise their incentive stock options within 90 days after they are terminated from employment at your firm or lose them.

Even if the options you grant early are at a low price, a cashless tax bill problem can occur when employees later exercise their options as, at least under current U.S. tax law, a person must pay taxes in the year they exercise stock options on the difference between the current fair market value and the original option strike price. This is a really bad tax rule, as it causes people to have to pay taxes on stock that usually cannot yet be sold (due to the company being private)–often forcing the employee to not be able to exercise the options at all. Possible solutions include granting Restricted Stock Units (RSUs) instead of options (and pay the taxes on the compensation that year) or to set up a profit-sharing plan instead of an options plan. RSUs vs. ISOs vs. profit sharing may be too much detail for now, but are important questions to discuss with your corporate attorney when you create your options plan.

Installing a CRM System

By the time you get to six employees, it's time to install a basic tool for keeping track of your customers and contacts. At iContact we used Salesforce.com for our CRM tool as well as our Sales Force Automation (SFA) tool. Other options include Nimble, Zoho CRM, Highrise, SugarCRM, and Batchbook. You can also use your email marketing tool as a basic CRM system.

Regardless of what you use, your customer list and prospect list is gold. Make sure you are collecting information on who your customers are—whether they purchase through the web, by catalog, or at a store. To grow your business, you need to be able to get in touch with your existing customers and find out how to convince them to spend money with your business.

Determining Your Unit Economics

In June 2005, I was having lunch with a friend of mine named Jud Bowman. Jud was the co-founder of Motricity, a company that raised $350M in venture capital before going public in 2010. Jud was asking me why I hadn't raised venture capital for iContact. I told him I was considering it. He asked me two critical questions to determine whether we were ready to raise outside capital:

1. What is the lifetime value of an average customer?
2. How much do you spend to acquire an average customer?

Since iContact operated on a subscription model, Jud told me that I could estimate the lifetime value of an average customer by taking the monthly average revenue per user (ARPU) and multiplying it by the average number of

months a customer stayed. I knew the average monthly revenue per customer was $45 at the time. I also knew our monthly average churn rate was about 3%, meaning an average customer stayed with us 1/0.03 or about 33 months. So to get an estimate of the lifetime value we simply multiplied $45 and 33 to get about $1500.

ARPU x Months of Life Before Cancelling = Lifetime Value

Then to calculate how much we spent to acquire an average customer, Jud told me to simply take what we spent per month on advertising and divide that figure by the number of new customers we acquired in a month. At the time, we were spending about $100,000 per month on advertising to acquire 330 customers per month. So our Customer Acquisition Cost was about $300.

Advertising Spend / Customers Acquired from Advertising = Customer Acquisition Cost

There it was. We knew we spent $300 up front to acquire a revenue stream of $1500 over about three years. This was very profitable transaction to make over and over, but we could only do it so much before we'd run out of money in our bank account. We knew we could spend a lot more in advertising at the same customer acquisition cost if we had the funds.

Based on this relatively simple math we went out and raised our first $500,000 in investment capital. It took us nine months, longer than we anticipated, but we got it done. We brought on Tim Oakley as our Chief Financial Officer in February 2006 and by April we had a term sheet from IDEA Fund Partners of Durham, NC, to invest $500,000 in iContact.

Ever since, we've kept an extremely close eye on our unit economics. Do you know the customer unit economics of your business?

We determined we could afford to spend up to one year of revenue upfront to acquire a customer. At the time, this was $45 x 12 or $540. For the customers we paid to acquire we would spend up to $540. We would also get a significant percentage of our customers through word of mouth which were free to acquire and brought the overall average to about $300.

Once you know how much you can afford to spend to acquire a customer, all you have to do is find marketing channels in which the customer acquisition cost is lower than or equal to your maximum allowable customer acquisition cost.

If your business doesn't sell a subscription service, simply use how much a customer spends in five years with your business as a proxy for lifetime value. If you don't know this, then you need to start immediately tracking how much customers spend with your business and how to identify them when they come back again. Without this information, you will not be able to determine your customer unit economics and mathematically scale your marketing spend.

When to Raise Venture Capital

At iContact, we bootstrapped for the first three years of the company, only taking a $5,000 loan from a friend to help us when our primary server crashed in December 2003 (back in the day when servers were actually in your closet!). In 2003 we did $12,000 in sales and in 2004 we did $296,000 in sales.

We got through these lean times by keeping costs extremely low and focusing our efforts on growing our customer base rather than growing our investor base. Entrepreneurs often spend way too much time trying to sell investors and not nearly enough time building a product that customers will pay for!

By early 2006, we had reached a run-rate of $1.5 million in annual sales and were ready to raise our first round of outside capital. We raised $500,000 in our seed round from IDEA Fund Partners in Durham, NC and used it to expand customer acquisition by buying more Google Adwords. By 2007, we reached $6.9 million in annual sales

and raised a $5.3 million Series A round from Updata Partners. It's important to note that this was four years into the company's history and by then we had more than 10,000 paying customers. Too many companies try to raise a Series A before they have any paying customers.

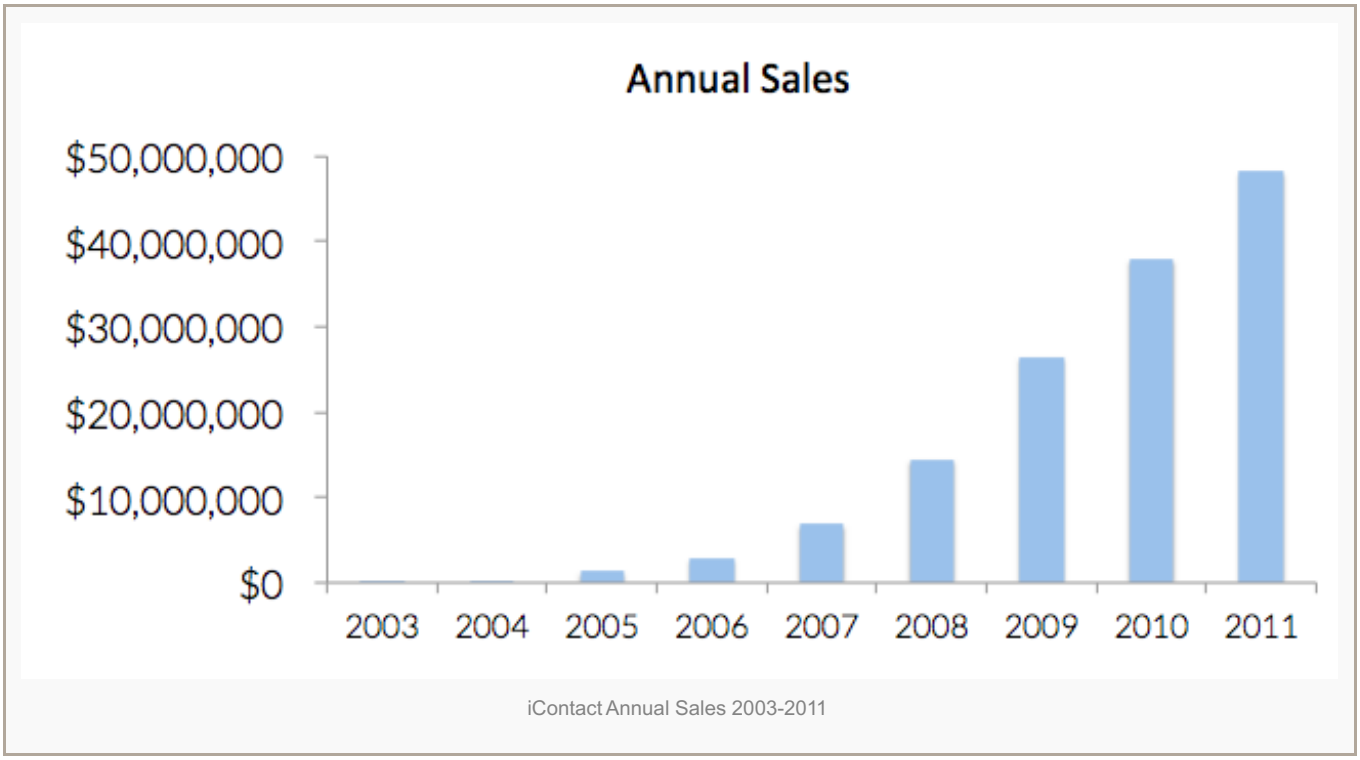
In 2008 when the financial market crashed, we kept growing and decided to raise a $5M debt round from North Atlantic Capital in Portland, Maine to keep growing. Finally in August 2010, we decided to raise a large round of funding with the help of Allen & Co. as our investment banker. In August 2010, we raised a $40M Series B round from JMI Equity of Baltimore, Maryland. Of that, we raised $25M for the company and $15M as liquidity for early shareholders and investors. In 2011, we closed on a Second Market transaction of $5M to provide additional early liquidity for shareholders, since the company wasn't public and didn't have a public market on which to sell shares.

Up until August 2010 when we raised the Series B round, Aaron and I (the co-founders) were able to maintain control of the Board of Directors, mostly because we were patient in building customer value before going out and raising outside investment.

By February 2012, when iContact was acquired by Vocus (NASDAQ:VOCS) for $169 million, we had raised a total of $58M in investment capital, of which about $37M went to the company's balance sheet and $21M went to purchase shares from early shareholders and investors.

Sales by Year

Here is a chart showing our sales by year for iContact. Notice that it took us a few years to really figure things out. In 2003 we did $12,000 in sales and in 2004 we did $300,000 in sales. It wasn't until we invested in building an easy to use product interface, calculated the cost of customer acquisition and the lifetime value of a customer, and carefully ramped up spending on Google Adwords within a trackable customer acquisition system that our sales really began taking off in 2006.



iContact Annual Sales 2003-2011

Outside of Adwords we also tested an affiliate/reseller program, retargeted banner advertising, and radio ads. If I were doing it all again today, I would have invested much more early on in driving customer acquisition and retention through API integrations.

The Startup CEO's Responsibilities By Stage of Company

Below is a summary of your responsibilities at each business stage, along with a corresponding year timeline for an example successful high-growth business that takes a couple years to figure out its value proposition and scalable revenue model and then raises venture capital to expand rapidly.

Employees	A Summary of the Role of the CEO at Each Stage
1-2 (Year 1)	1. It's all you. 2. Find a business partner with a complementary skillset if needed. 3. Make sure you have $20,000 saved up to get started 4. Focus on product development and getting something to market that solves a customer need. 5. Create something of value to others and sell, sell, sell! 6. Get customer feedback and use it to make your product better.
2-5 (Year 2)	1. Do all you can to enable the company to survive 2. Build an Advisory Board 3. Hire your first employees 4. You should be in charge of product or sales or both 5. Set up a basic low cost office space 6. Outsource your payroll
6-25 (Year 3)	1. Hire an outside bookkeeper/accountant to produce monthly financial statements by the 20th of the following month 2. Put real time visible dashboards in place 3. Everyone won't report to you anymore. 4. Start putting managers in place. 5. Figure out your unit economics and consider raising funding to invest in growth. 6. Hold a weekly meeting with either the whole company or all the key operational individuals 7. Hire people more experienced that yourself for the role you are hiring for, even if you have to wait a bit longer to be able to afford them. 8. Keep the organization focused on selling and growing. 9. Put in place an employee handbook 10. Define your values 11. Define your mission and vision 12. Put in place a formal performance review process and ensure a manager conversation and performance review is completed at least every 12 months, including 360 reviews in which peers and staff review their managers. 13. Set up an options plan 14. Install a CRM system

26-100 (Year 4)	1. Start a weekly meeting with your Senior Leadership Team, Leadership Team, and Managers 2. Start a weekly meeting with just your Senior Leadership Team 3. Hire a Controller or CFO, a Director of Human Resources, and an Administrative Assistant. 4. Make sure your Controller/CFO begins providing monthly accurate financial statements to you by the 20th of the following month in GAAP format and Managerial format 5. Document your systems and processes in an employee handbook. 6. Set KPIs and have your team report on them weekly. 7. Put in place documented incentive compensation systems. 8. Think about creating systems to ease internal employee communication, like internal wikis, company meetings, external events, and retreats. 9. Start using a One Page Strategic Plan with a quarterly theme. 10. Have formal annual planning meetings to set or communicate both strategy and budgets for the upcoming year. 11. Start investing consciously in shaping your company culture. 12. Start investing consciously in managerial and leadership development courses for your managers and future managers. 13. Hire an Auditor to audit your annual financial statements
101-250 (Years 5/6)	1. Define your company's hedgehog concept (what you can be the best in the world at, what you're passionate about, what drives your economic engine?) 2. Implement *The Five Dysfunctions of a Team* Material throughout the organization 3. Launch a formal corporate social responsibility program 4. Start thinking about what new markets your organization can go into the future and figure out what your next product cycle will be 5. Think about what the next big thing will be in your broad industry and position your company to be the leader in it 6. Start top-grading your people and letting go of the bottom 10-20% annually 7. Constantly ask yourself what will be driving revenue growth most in 24 months? 8. Put in place a system that will enable you and your leaders to know everyone's name 9. Launch an HRIS to automate your human resources functions like talent recruitment, performance management, compensation, and employee training. 10. Implement the Service Profit Chain from Peak 11. Switch to a Big 4 Auditor 12. Launch a Corporate Development Department 13. Hire an Investment Bank If Needed to Evaluate M&A opportunities

250+ (Year 7+)	1. Consider scaling yourself by hiring COO or separating the organization into different units with GMs or Presidents 2. Your role is now divided into five parts, described below. 3. Set Strategy and Vision 4. Manage the Senior Team 5. Communicate with Stakeholders 6. Oversee Resource Allocation 7. Build the Culture

Lessons I Learned as CEO

Here are the most important lessons I've learned over the years from 2002-2012.

Ten Most Important Lessons Learned As CEO

1. Just get started, have a bias toward action, and don't get stuck in analysis paralysis.
2. Build a product that just works and is so easy to use it doesn't require customer service.
3. To grow your sales, it is critical to calculate the lifetime value of an average customer, calculate what you're currently paying to acquire an average customer (total monthly ad spend divided by customers acquired in that month), determine the maximum you're willing to pay to acquire an average customer, and scale your marketing scientifically by testing relentlessly and finding the channels in which you can acquire customers for less than your maximum acceptable customer acquisition cost and then growing spend within those channels.
4. Never raise more equity capital than 1x your current annualized revenue (monthly revenue x 12). If you raise too much money too soon you'll give up too much ownership and control of your company and be tempted to spend the money in ways that aren't carefully controlled. Wait to raise a large round until you have proven mathematically that $X amount of additional spending with generate $Y amount of additional revenue. (Once you figure out #3 this is easy). If you do choose to raise money, raise it from investors you like and get along with well. You'll have to hang out with these people for the next 3-7 years, so make sure you enjoy spending time with them.
5. After the first year or two, your success is determined by the people you hire, not by you. Stop trying to do everything yourself. Scale yourself by hiring people more experienced than you in their field as soon as you can afford to.
6. Every member of the team should have a significant portion of their compensation based on the company's success and their department's success, quantified and communicated clearly in advance.
7. Your job as CEO is not to micromanage/tell your team members what to do, but rather to hire experienced people who can do their jobs better than you could, collaboratively set numerical goals, and hold your direct reports accountable for their performance individually and as a team.
8. Once you get past the start-up phase when you're responsible for everything, the six parts of a CEO's role are 1) Set strategy and vision 2) Manage the senior team 3) Communicate with stakeholders 4) Be the Customer Advocate 5) Oversee resource allocation and 6) Build the Culture.
9. It is possible to become more socially and environmentally responsible and increase your financial returns at the same time
10. If you create a great culture (a fun work environment filled with people who are high performers and who care about their work and their impact on the world) you will be able to attract and retain better people who will be much more engaged and productive and create a much more financially successful company.

Post Your Questions/Thoughts & We'll Reply