

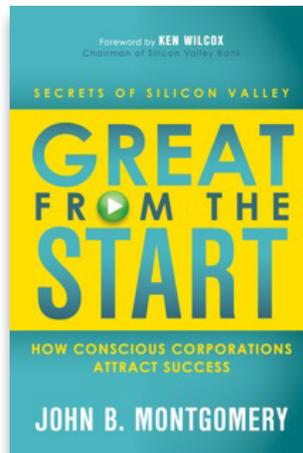


The corporation is the innovation

AN EXCERPT FROM:

Great From the Start: How Conscious Corporations Attract Success

FOREWARD



Montgomery & Hansen LLP

The Law of Success



FOREWORD

As I sit down to write this, I have just returned from an offsite planning session with our management team in Shanghai. Ten of us spent three days in Lijiang, in Yunnan Province, at the Banyan Tree, only miles from the eastern edge of the Lower Himalayas. It's a beautiful spot with majestic views that formed the perfect backdrop for a strategic offsite. We spent a day focused on the respective personalities of the individual team members and how, like instruments in an orchestra, they all work together to produce something greater than the mere sum of the parts. The second day we talked about the culture (or values) of our organization, the extent to which it is real, and the gap between what it is and what we aspire it to be. On the third day, we talked about our purpose and how that translates into a strategy, or long-term plan, and how our business, or short-term plan, helps us advance the strategy, bringing us closer to realizing our purpose. It was a great trip, and when we summarized at the end, we all felt that a number of important things had come out of it.

We felt that most of the people in our organization are there for a reason. They have chosen our company as much as it has chosen them. Their reasons for having chosen it are in some regards typical: They believe that we will be successful, and they want to be associated with a successful company. Accordingly, they believe that we will be able (and willing) to pay them fairly, meaning a market rate. They also like the nature of the work, and they like the person they report to. Their most important reason, however, is not typical: They feel that they fit the corporation and that, culturally, it fits them. In other words, their values and the values of the company are similar, making it possible for them to identify with it. And, most importantly, they feel that the organization

has a sense of purpose, that its purpose is a good one, and that that purpose gives them a purpose, as well.

In our case, purpose goes beyond the obvious, meaning beyond making money. When I was in business school 30 years ago, it seemed that if the professor called on you and you hadn't read the case, you could almost always get by with an answer that included the phrase "shareholder value." Making money *was* the sole purpose of the corporation in that era, or so it seemed. Implicit to the subjects we covered and the way in which we covered them was a highly mechanistic view of the corporation. Our discussions revolved around which levers to pull to achieve a given result, and that result invariably involved increasing "shareholder value." In 30 years of business, I have learned that corporations are far more like living, breathing, evolving organisms than they are like machines; that understanding people is far more important to success than understanding numbers (or even "algorithms"); and that purpose needs to go way beyond increasing shareholder value—and all the more so if increasing shareholder value is part of your purpose.

For if our shareholders are to have any chance of increasing the value of their holdings, that will have to be accomplished for them by and through people. And people are far too complex and sophisticated, both as individuals and even more so as members of groups, to be motivated solely by a desire to make money, either for themselves or for their shareholders. First and foremost people today—in America, in Europe, and in Asia—want to affiliate with companies that have a purpose that goes beyond increasing shareholder value to include helping their employees self-actualize and making the world a better place. They want to work with and for managers who care about them, their development, and their opinions. They want leadership that leads by generating trust rather than fear. In short, they expect the companies they work for to treat them as the complex and sophisticated human beings that they are; and then, and only then, are they likely to do their best to increase shareholder value. Having said that, they expect to be treated as ends unto themselves, not as means to other ends.

In this book John Montgomery has recognized and captured all of this and more. Having spent his entire professional career working with startups, and having observed hundreds if not thousands achieve some level of success, John has, with the assistance of a number of his colleagues and collaborators,

put down on paper the patterns that he and they have seen. I believe that he has produced a book of immense value, perhaps the best of its type that I have ever seen.

The patterns that he has disclosed—and the wisdom he has gleaned from doing so—are more important today than ever before. Centers of innovation have sprung up around the world; and thanks to the increasing breadth and depth of our global knowledge base, there are more fundable ideas, capital is in abundance, and the level of need for innovation in the world at large, particularly in the areas of clean tech and life sciences, is higher than ever before. All that is missing is management talent, particularly in developing countries and newer markets. This book addresses that shortfall. Everyone and anyone who organizes training sessions and boot camps for entrepreneurs should embrace this book. With management talent, as elucidated herein, we can optimize our knowledge base, our capital, and our impact on the world.

Ken Wilcox,
Chairman of Silicon Valley Bank

