



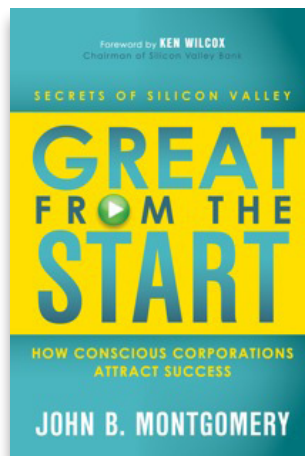
The corporation is the innovation

AN EXCERPT FROM:

Great From the Start: How Conscious Corporations Attract Success

Introduction

THINKUP BEFORE STARTUP TO AVOID BEING A F#@KUP



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The Law of Success



Introduction

THINKUP BEFORE STARTUP TO AVOID BEING A F#@KUP

You probably have a good idea for a great company. If you already know how to turn your idea into a successful business, you don't need this book. This book is for people who are interested in building a successful company. You need this book only if you are looking to be one of the *best* companies. The purpose of this book is to show you how to create the most value for the least effort by intelligently designing your concept into a company that has a higher probability of success.

The Inspiration

In February 2002 I realized that my client, venture capitalist Gordon Campbell, had intuitively applied a common methodology to all the portfolio companies of his Techfarm Ventures incubator. These companies shared a common developmental pattern, which caused many of them—including Cobalt Networks (acquired by Sun Microsystems for \$2 billion in four years), 3Dfx Interactive (initial public offering with \$500 million in market capitalization in three years), and NetMind Technologies (acquired by Puma Technologies for more than \$750 million in four years)—to succeed quickly and to attract the best resources. This repeated pattern of success inspired me to uncover the underlying system. My belief was that understanding how the pattern worked would yield a blueprint for building great companies.

This book is the result of reverse-engineering the success of Techfarm and its portfolio companies. Using what I understood about the pattern, I built a corporate law firm, which became a laboratory for testing the principal ideas in this book. I shared elements of the pattern with such clients as Solaicx and 3Tera, which used them in their businesses. The process eventually revealed Campbell's blueprint and suggested a number of improvements to make it even more effective.

Campbell applied the approach he had used to start and build two public semiconductor companies—Seeq Technology and Chips and Technologies—to his Techfarm portfolio. He succeeded in scaling his approach from one company at a time to doing so simultaneously with a portfolio of companies. His method was difficult for his partners and portfolio companies to follow, however, because it was entirely in his head. This book makes Campbell's method visible so that you can follow it.

If you are an entrepreneur starting a business who wants to improve your chances of success, this book is primarily for you. Any business organization—including partnerships, limited-liability companies, benefit corporations, and even not-for-profit entities—can use it to intelligently design its business. This book is also for venture capitalists in search of a consistent one-to-many approach to building their portfolio companies. It can serve as a textbook for a college or business school course in entrepreneurship and as a guide for entrepreneurs building businesses based on the tenets of conscious capitalism or that have a social purpose.

What Is This Book?

No idea gets turned into reality until it's ready.

—David Wolfe, *Firms of Endearment*

This book is a blueprint for turning your idea into a successful company. Each of the 23 chapters covers an essential aspect of creating a company. Although the main ideas are arranged in a linear sequence, they provide a flexible framework for company building. You can use the ideas that are most helpful and ignore the rest. The material shows you how to fully develop your business idea before you rush off to launch your company.

This is also a workbook with exercises to help you turn your concept into a company with as much clarity and precision as possible. Each chapter ends with a summary of key points and a collaborative exercise that demonstrates the “how.” The exercises give your founding team an opportunity to practice working together. The bibliography lists additional resources for exploring a particular topic in depth.

This book is not a complete guide for navigating your startup company through *all* of its developmental stages, as it focuses on the time between idea and incorporation and largely ignores later stages of growth.

You should, however, understand what’s next. I like to think of startup companies as having five distinct stages:

- The *concept stage* is the time between idea and incorporation.
- The *startup stage* is when a company builds its product.
- The *build stage* is when a company starts selling its product.
- The *growth stage* occurs when a company has developed a reliable and repeatable sales process that allows it to achieve an exponential rate of growth in sales. Every startup aspires to achieve exponential sales growth because that is what creates extraordinary value.
- The *maintenance stage* occurs once the company has evolved into a profitable business with a positive cash flow, robust revenues, and consistent quarter-to-quarter results.

This book is a prequel to David G. Thomson’s *Blueprint to a Billion* and complements two of my favorite books about how to build a startup company: Guy Kawasaki’s *The Art of the Start* and Rob Adams’s *A Good Hard Kick in the Ass*. This book is a companion to two books that every entrepreneur should read: Jim Collins and Jerry I. Porras’s *Built to Last* and Jim Collins’s *Good to Great*.

The Blueprint

The common developmental pattern displayed by progeny of Techfarm’s incubator and recorded here forms the basis of the blueprint. Companies like Cobalt, 3Dfx, and NetMind shared three common traits that gave them an advantage:

- They achieved their objectives rapidly and went public or got acquired in less than five years.
- They were capital-efficient.
- They effortlessly attracted the resources necessary to grow.

Successful execution infused these companies with an infectious positive spirit that attracted the best talent, customers, partners, and investors. These traits were a powerful lodestone that drew the right resources to the companies like a magnet.

This book uses the stories of Cobalt, 3Dfx, and NetMind to identify the key patterns of behavior that combined to create strong attractor patterns that pulled in the best resources. Several of the contributing experts were co-founders or executives of these companies. The intention is to enable entrepreneurs and venture capitalists to replicate similar attractor patterns in their companies.

Attractor Patterns

The blueprint forms an organizational development pattern comprising many component subpatterns. Each chapter generally describes a particular subpattern; and each subpattern exerts a subtle power that attracts resources helpful to building the company.

British doctor and philosopher David Hawkins articulated the phenomenon of attractor patterns in *Power vs. Force*. Hawkins observed that developmental patterns either support life or destroy it. The magnetizing power of a particular attractor pattern increases with its ability to support life.

The attracting power of a particular subpattern can be strong or weak. A company with a culture whose values have been expressly defined, for example, will tend to attract more employees that are aligned with them than one whose values are deduced from management behavior. Strong attractor patterns pull companies together and support alignment.

On the other hand, weak patterns pull companies apart and support entropy. A founder who is unwilling to have a mentor and listen to expert advice, for example, creates a weak attractor pattern.

This book encourages you to create strong attractor patterns. The basic premise is that strong attractor subpatterns combine to create a strong collective attractor pattern for a company as a whole. My observation is that the power of the collective attractor pattern to draw in high-quality resources increases as the number of strong individual attractor subpatterns increases. Cobalt, 3Dfx, and NetMind, for example, enjoyed strong collective attractor patterns. As the preface suggests, there is likely a neurological basis for these patterns.

David Rock, one of the pioneers of the field of neuroleadership, has developed an eloquent and simple framework, which is useful to explain the efficacy of the individual attractor subpatterns described in each chapter. Rock has identified five factors that influence whether or not a person will remain conscious and proactive in the frontal cortex of the brain where higher human cognitive functions generally occur. Humans need status, certainty, autonomy, relatedness and fairness in order to function at their best. In general, the stronger a particular attractor pattern, the more it supports one of these needs.

Building a Conscious Capitalism–Based Company

This book is also a guide for building a company based on *conscious capitalism*. A company that embraces conscious capitalism embodies three principles that set it apart from other companies:

- A deeper metapurpose in addition to maximizing profits
- A recognition not only that it is a complex ecosystem comprising numerous interdependent stakeholders in addition to stockholders but also that it needs to deliver value to all stakeholders
- A chief executive officer who is the steward of his company and its ecosystem, working for the benefit of all the stakeholders, not just for his own enrichment

Companies built using these three principles are better companies. *Firms of Endearment: How World-Class Companies Profit from Passion and Purpose* by Rajendra Sisodia, David Wolfe, and Jagdish Sheth shows that public companies using the principles of conscious capitalism significantly beat the performance of the S&P 500 over a 10-year period. Executives like John Mackey, co-founder and co-CEO of Whole Foods Market, and Kip Tindell,

cofounder and CEO of The Container Store, lead their companies using the principles of conscious capitalism.

Venture capitalists such as Gordon Campbell understood intuitively that building a great business required following the principles that have become conscious capitalism. As an executive chairman, Campbell served as the steward of his portfolio companies, guiding them as an experienced mentor. He encouraged founders to imagine and build out their companies as fully developed ecosystems. And he made sure that each company had a compelling purpose in addition to making money.

I suggest three additional principles for the model for conscious corporations:

- A clear and precisely defined culture
- A sophisticated internal conscience
- A deliberate cultivation of consciousness

The blueprint explains how to define a company's culture with precision, suggests how to raise consciousness for competitive advantage, and explores how to create an internal conscience that balances short-term survival with long-term sustainability.

In general, the emerging class of for profit corporations with a social purpose such as a California benefit corporation are conscious capitalism-based companies. Benefit corporations focus particularly on the organization as an ecosystem of interdependent stakeholders and are designed to increase the ability of business to have a positive social and environmental impact.

B Lab, a nonprofit organization and the proponent of this new kind of company, has designed a certification program—the Certified B Corporation—to combine an ingredient brand for good business with transparent and comprehensive performance standards to enable corporate stakeholders to identify and support businesses that are aligned with their values. The B Lab certification creates transparent standards that make it easy to tell the difference between a company that is walking the talk and one that has only a green marketing veneer. Just as the organic food industry promulgated standards that make it easier for consumers to identify healthy organic food, B Lab established similar standards to identify truly sustainable businesses.

Benefit corporations and Certified B Corporations contain elements of the principles of conscious capitalism in their charter documents. Certified B Corporations, for example, amend their articles of incorporation to require them to consider the impact of their decisions on their employees, the community, and the environment. These provisions also provide directors with legal protection when they consider the interests of multiple stakeholders when making corporate decisions. The blueprint allows conscious capitalism-based companies, benefit corporations, and Certified B Corporations to incorporate their fundamental principles into their articles of incorporation and bylaws to create more-robust legal frameworks that support their companies.

Regardless of whether you are building a company that will require venture capital, a conscious capitalism-based company, or a corporation for a social purpose, you will need to apply traditional business disciplines to succeed. At the end of the day, your business must be profitable to survive. A mastery of traditional business disciplines is still the foundation upon which a successful business is built. My intention is to offer you a method for building a sustainable company that also uses the best of traditional business disciplines.

