

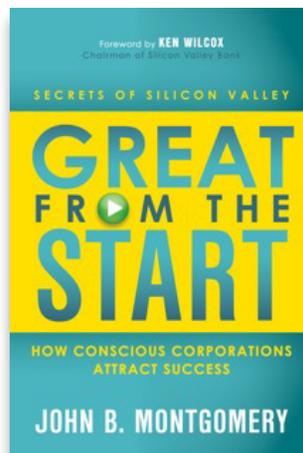


The corporation is the innovation

AN EXCERPT FROM:

Great From the Start: How Conscious Corporations Attract Success

PREFACE



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The Law of Success



PREFACE

I wrote this book because I want you to experience the joy of building a successful company. I want every business to succeed. As a lawyer who supports startups, I know that great companies are not only more profitable to represent but also are more exciting and meaningful to work with. Having experienced the joy of successful companies and the pain of those that have failed, I want to work with successes. This book was written so that you can have one of the successes and so that we can work with more great companies.

The book walks you through the thought process of building a successful company. Unlike most business books which provide examples of successful companies and leave you to figure out how those are relevant to you, *Great from the Start* shows how to start with a solid foundation and build from there. All of this requires that you be conscious so that you understand what is needed, what your choices are and how to reach your goals.

I want you to design your company as a conscious corporation for several reasons. First, a corporation needs to be awake so that it can make conscious decisions with people who are engaged and united by a common goal. Second, a corporation needs to be aware of the interdependencies and complexities of today's world. Without this awareness, the limited concept of the corporation existing solely to enrich stockholders will limit your success. Finally, because the law endows the corporation as an entity with many of the rights of personhood, a corporation must be conscious so that it can act appropriately as a responsible citizen of the world in which we live.

Great from the Start is both a primer about how to start a great company and a reference resulting from the collaboration between a wide range of industry experts and a Silicon Valley veteran. The book models an adaptive approach to company building by providing a variety of expert voices on aspects of building successful companies. Because building a company is a team sport, I used a team approach to demonstrate the methods outlined in the book with stories from the experts' successful businesses.

A conscious corporation engages similar experts and applies their expertise in a sequence that suits its unique needs and personality. To build a great company, you must skillfully apply a variety of disciplines and employ a team of talented people. There is, however, no prescribed formula or proper sequence in which to deploy these disciplines and talent. No company starts perfectly formed, but every company is constantly evolving. As a conscious leader you need to be flexible and cultivate your ability to remain in the present moment to apply the exact skill or engage the right person to handle your current priority.

In addition to being a guide to help you build a successful company, the book contains three additional levels of meaning. At the second level, *Great from the Start* helps you build a socially responsible business based on the tenets of conscious capitalism or meeting a third party standard of social responsibility such as B Lab's certified B Corporation standard. The legal architecture suggested in Chapter 20, which incorporates purpose and core values in a company's articles and bylaws, is especially helpful if you are a social entrepreneur who desires to build a business that will have a positive impact on society and the environment.

At the third level, *Great from the Start* shows you how to strategically build a business that not only optimizes profit but also does good. There has never been a more urgent need for a better way of building businesses because a truly sustainable economy requires an entirely new way of thinking about corporations. *Great from the Start* shows you how to make three simultaneous paradigm shifts necessary to build and lead a smarter corporation that can help create a sustainable future:

1. **Corporations exist to optimize profits *and* provide a material positive impact on society and the environment instead of existing solely to maximize profits for shareholders.** A conscious corporation makes money, and does good. This advances Google's "do

no evil” to the next level by enabling corporations that not only make money for shareholders but also have a positive effect on society and the environment. The traditional concept externalizes many costs of doing business, such as pollution, on society and the environment. In the new paradigm, corporations will responsibly minimize and manage these costs.

2. A model of the corporation as a complex ecosystem of multiple interdependent stakeholders supplements the traditional model of the corporation as a duality of management and stockholders.

A conscious corporation adopts a multiple stakeholder model, and empowers its directors to consider the interests of all stakeholders, not just stockholders, in the exercise of their fiduciary duties and business judgment. Public corporations such as Whole Foods Market and Southwest Airlines have established the efficacy of this new approach to doing business.

3. Leaders will not only develop traditional business aptitudes and skills but also cultivate successively more complex states and stages of cognitive development and consciousness.

A conscious corporation requires leaders who are passionately committed to personal and professional growth. Numerous models of human development have emerged ranging from Abraham Maslow’s hierarchy of needs, to Robert Kegan’s six stages of equilibrium, to Don Beck’s spiral dynamics model, to Ken Wilber’s integral theory. Each of these models uses a different framework to describe the same phenomena of development. Leaders will increasingly use such models to complement the development of traditional business acumen.

Finally, at the deepest level of meaning, *Great from the Start* shows you how to build a successful and trustworthy corporation designed for humanity that runs on love and trust instead of alternating between hope and fear. For the first time in human history, we have sufficient knowledge about biology, neuroscience, psychology and organizational development to design our commercial organizations for how humans work best. This book provides a tentative blueprint for designing and building a corporation that is optimized for how our brains work best.

Social neuroscience has spawned the field of neuroleadership, which uses an understanding of the brain to develop better leaders. This book complements neuroleadership by providing you with a framework to build an organization based on some of the fundamental principles of neuroscience. At its essence the book shows you how to create a supportive working environment based on love and trust. In a business context, love is simply the intention to help others succeed. A workplace that runs on an operating system of love and trust is more productive and stable than one that alternates between hope and fear. Because the human brain is hardwired for survival, however, many of us spend much of our work day in a flight-or-fight response rather than engaging enthusiastically in the job at hand.

Neuroeconomist Paul Zak has demonstrated that humans perform best in environments where they are loved and trusted. His research shows that when we work in supportive workplaces, our brains produce oxytocin, a neuro-chemical that makes us feel happy and helps us enjoy our work and co-workers. On the other hand, when we work in unsupportive or hostile work environments, our brains produce cortisol and adrenaline, stress producing chemicals that make us feel miserable. *Great from the Start* is a preliminary blueprint to design humane corporations that will enable the ultimate paradigm shift:

A sustainable global economic system designed for humanity that runs on trust succeeds the prevailing economic system that alternates between hope and fear. This shift will be difficult because it requires business leaders to develop enough mental and emotional stability to respond confidently to business challenges instead of being victimized by fear into reactivity or tempted by greed into unethical behavior. Such conscious leaders can then lead corporations which are inspiring environments for creativity and collaboration that run on love and trust, which neuroscience confirms is conducive to optimal human performance. Such corporations will activate their collective consciences to act as responsible global citizens. Ultimately, such conscious corporations will transform the global economic system so that it too runs on love and trust.

To help you imagine how to create a positive working environment in your business, I profile my mentor, venture capitalist Gordon Campbell, and several of the companies he produced in his Techfarm Ventures technology incubator from 1994 to 1997. During this period Campbell produced one successful company after another with relative ease. He intuitively applied a consistent

method to build a portfolio of successful startups, including Cobalt Networks, 3Dfx Interactive, and NetMind Technologies.

Gordon Campbell is a genius of organizational development because he understands how to organize groups of people to optimize their individual and collective intelligence. In the language of the emerging field of social neuroscience, which studies what happens in the brain when people interact, Campbell is a master of social intelligence. Daniel Goleman and Richard Boyatzis define *social intelligence* as “a set of interpersonal competencies built on specific neural circuits (and related endocrine systems) that inspire others to be effective.”¹ Campbell applies an intuitive system to design organizational structures that create extraordinary value by supporting effective business behaviors such as cooperation, collaboration, and creativity.

Campbell has achieved enough business success to satisfy his ego and enough financial security to permanently transcend his Maslovian survival needs. As a result, he operated confidently from a place of abundance in his roles as chairman of the board and mentor to Techfarm’s portfolio companies. Campbell’s cup runneth over, and his positive, optimistic mood energized every company with which he worked.

Neurobiology has identified a phenomenon called *mood contagion*, whereby a leader’s positive behaviors literally trigger corresponding chemical changes in followers’ brains that cause similar positive moods. On a neurological level, Campbell infected his companies with confidence. His mentees replicated their mentorships’ basis of trust throughout their companies to create environments that promoted optimal brain function.

By intuitively selecting founding teams with a visionary, a technologist, and a salesman with established relationships, Techfarm’s companies spent less time in fight-or-flight reactivity and more time enjoying the challenge of realizing their visions. Having whole-brain cultures that celebrated the diversity of perspectives provided by logic, emotion, and intuition intelligence encouraged people to remain in the frontal cortex to solve problems together rather than trigger the defensive regions of the brain like the amygdala and limbic system to engage in conflict.

1 Goleman, Daniel and Richard Boyatzis, “Social Intelligence and the Biology of Leadership,” *Harvard Business Review*, September 2008.

As an experienced executive, Campbell was able to help the chief executive officers (CEOs) of his portfolio companies maintain the balance to optimize collaboration and creativity. Simply put, his social intelligence enabled him to organize the people in each company so that they operated collectively and effectively as a single system.

Social neuroscientists are beginning to understand how the neurons in our individual brains function to form a single system out of a group of people. Scientists have recently discovered several kinds of neurons that play a significant role in organizational behavior. *Mirror neurons* are the brain's "monkey-see-monkey-do" cells that cause us to recognize others' behaviors and intuitively reproduce them in our own actions. Ken Wilcox's story in chapter 6 about the first president of Silicon Valley Bank, Roger Smith, demonstrates the power of mirror neurons. When Roger Smith swore, everyone swore. When clean-talking John Dean replaced Roger as CEO, the swearing disappeared because mirror neurons automatically caused everyone to mimic the new leader's speech.

From a neurological standpoint, most leaders unwittingly rely on mirror neurons to create their corporate cultures when they expect the company's core values to be deduced from their own behavior. Because mirror neurons operate on a subcognitive level, the result is a culture that is experienced only subconsciously.

On a fundamental level, defining core values is critical because it allows the culture to become visible at a cognitive level. When leaders define the core values and hold themselves accountable to them, they create powerful alignment because the mirror and cognitive brain neurons fire complementarily. When properly structured and enforced, core values literally create positive neural pathways in followers' brains that are reinforced by mirror neurons.

Scientists have also found another class of neurons called *oscillator neurons*, which regulate how people move together. These neurons enable synchronized movement like dance that requires coordinated teamwork. When Steve DeWitt rang Cobalt's bell to celebrate the sale of a server, as discussed in Chapter 8, it likely fired oscillator neurons in people's brains that made them feel and act as one.

A third class of neurons called *spindle neurons* seems to be the agent of intuition. Spindle neurons are large cells with thousands of connections to

other neurons that enable quick judgments and optimal decisions. Effective leaders such as Campbell and Wilcox likely rely on their spindle neurons when they intuitively organize people as a team.

Each chapter of this book describes a developmental pattern that can be optimized to support optimal brain function. A well-designed brand, for example, literally causes neurons to fire positively in a customer's brain to predispose him to buy the associated product. When optimized and combined, these subdevelopmental patterns create a corporate structure that supports the genius of the human collective. Understanding the underlying social neuroscience is essential to tapping the full power of a human collective, but ultimately it's about love and trust. When we are loved and trusted in a startup, we spend less time in the survival-oriented parts of our brains and more time engaged in building a successful company.

Finally, this book is a memoir of one man's 28-year career as a corporate lawyer in Silicon Valley. The book does not directly cover the stories of the seminal technology companies of this era—Intel, Apple, Cisco, Netscape, Google, and Facebook—but features those that my colleagues and I helped build. It is my gift to the ecosystem that has sustained me.

