How to Run a Company

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Most companies aren't run any particular way.

There's a kind of default Fortune 500 management style in which certain elements predominate – performance management built around an annual goal setting process, engagement surveys, spans of control between six and eight, and dozens of other informally understood constructs – without anyone really being able to say what this collection of elements is, together, in service of. The tech industry has its own default style, with different elements and a different tenor, but usually no greater intentionality about how these elements come together to produce a desired result.

Contrast these default styles with Reed Hastings' culture document at Netflix, Ray Dalio's *Principles*, Valve's Employee Handbook or Koch Industries' Market-Based Management as described in Charles Koch's *The Science of Success**. Each of these describes a highly specific "way" of operating that connects the highest level of values and commitments, through an intermediate level of principles, selectively down to the everyday level of shared practices.

These "constitutional" documents describe realms that operate in very different ways – far from the default style, and in dramatic contrast with one another. What they share is radical intentionality.

At Incandescent, we believe in radical intentionality. We believe that great leaders stare in the face of the extraordinary achievement they seek and ask what way of operating – from the biggest *why* to each critical everyday element of *how* – will best, over the long arc, produce this result.

This demands reflection on what level of abstraction or concreteness people need to align around regarding "how we do things"? Is applying the same values enough? Is the imperative to follow consistent principles that translate values into action, where different people might apply those principles in different ways? Does every member of an organization need to follow a prescriptive set of practices in a given domain?

The “ways” of operating cited above each embody a controversial set of choices about what to specify and what not to. Valve doesn’t tell anyone what job to do, but has an elaborately specified system of compensation. That’s not an arbitrary combination; the latter enables the former. For anyone who instinctively thinks that anchoring what’s shared in an organization *high up* – at the level of values – is universally to be preferred, reading Atul Gawande’s *Checklist Manifesto* is a good corrective. Sharing the values of patient safety isn’t nearly so effective as having a prescriptive, universally applied protocol of hand washing.

There’s no way out of this maze of questions but hard thinking and hard choices. Every company can’t operate like Valve, for instance – *When Is No Hierarchy Best?* offers my view of the narrow range of conditions in which an approach like theirs might work, and Ethan Bernstein’s superb Harvard Business School case study paints a picture of some of Valve’s own dilemmas as they’ve entered the hardware business. No one would run Koch Industries like Valve or Valve like Koch Industries. We’re beyond the realm of best practices, and certainly beyond the realm of domain-specific best practices decoupled from the constellation of what else the company believes endemic to the Fortune 500 default style.

At Incandescent, we’ve embarked on a research project we call – modestly – *How to Run a Company*. We don’t think there’s an answer to that question in any universal sense, although we do believe there are important patterns to be found regarding what kinds of companies should have what kinds of management practices. Our aspiration is to build a kind of universal table of contents: a framework of operational choices that institutions might specify. Valve’s employee handbook and the Netflix culture document both deal with an overlapping set of topics, each of which might be understood as a deliberate choice about which aspects of this universal table of contents to address. We seek to understand the nature of the choices companies make as they specify a way of operating through values, through principles and through practices. We seek to understand the patterns of what works where and what works with what else.

We aren’t doing this work because we think it will power our advisory business. Best practices suit consultants because they can be broadly sold. Integrated constellations of values, principles and practices aren’t practical for consultants to traffic in – the consultants would probably starve before they found the first client to adopt something so broad. Almost none of the big companies we work with will ever do the immensely hard work of instilling a consistent way of operating, the way the companies cited here have. We don’t blame them. It simply isn’t practical for most big companies, particularly given the time frames of their goals and the time frames of their top management. We’re doing this work because we want to get at what makes certain institutions extraordinary and what makes certain institutions beautiful. We aspire to have such qualities ourselves, even if most companies would not care to imitate us.

This particular project is going to take a long time, and I hope to hear from readers about examples they see of this kind of radical intentionality. From time to time, I’ll write about what we’re learning, with this entry as a kind of touchstone for readers to understand the context behind those future, more specific pieces.

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* I’m not endorsing the Koch brothers’ politics here. Being a liberal shouldn’t stand in the way of acknowledging the extraordinary success of Koch Industries as a business or the philosophical elegance of the system through which Charles Koch and his colleagues manage.