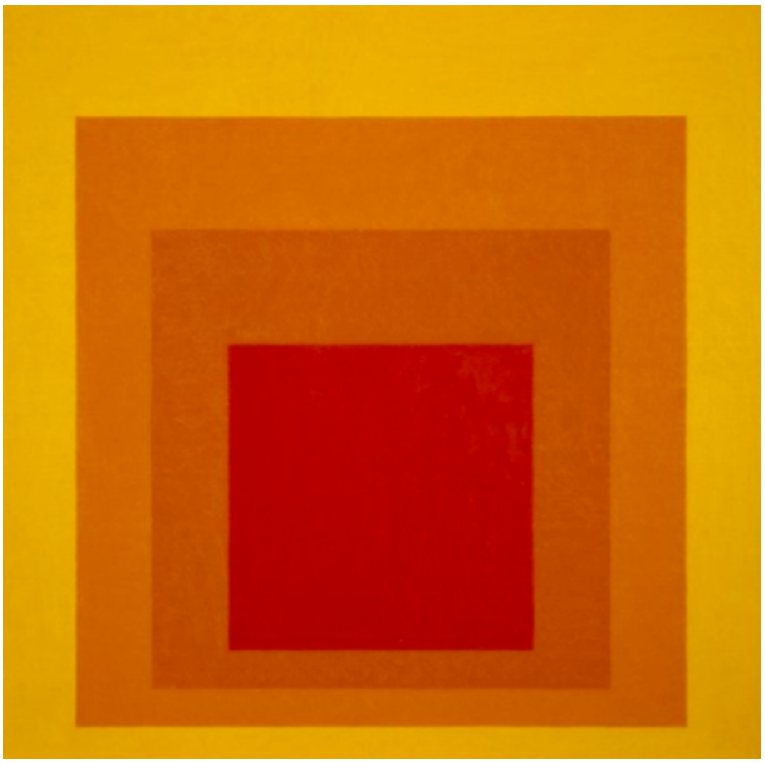
Ten Principles for How to Run a Company

Published on Feb 20, 2018 by Niko Canner



You've invented something that will change the world. But you have weeks left to live.

This invention has the potential to be the seed of a great company. The wealth this company creates should provide beyond your dreams for your family's future and advance the philanthropic causes you care most about. The possibilities for the technology itself are vast, and will certainly exceed the grasp of even the most talented team initially assembled to build the venture. There will be momentous forks in the road ahead, and great risk of misplaying the potentially winning hand that your invention represents.

Your executor, a business leader of great experience and a woman with impeccable judgment, assures you that she will pick a CEO equal to the road ahead, and that she will assemble a board of directors, with herself as chair, in which you can vest authority. This is an immense relief. She asks you one thing: *would you write one page that describes what you believe it means for this company to be managed well, which I and the board can then use as a standard to which we hold the company and ensure is always maintained?*

What should you write?

Imagining the posthumous force of this letter, it must articulate a set of imperatives for all seasons, which can be adapted as the company evolves from a seedling to an oak. I've been meditating on this thought experiment for a while, on the view that it encapsulates the question of "how to run a company" in especially pure form, undiluted by the compromises between important and urgent endemic to building ventures. I would propose ten guiding principles.

1. *Articulate a destination that's deeply compelling and far beyond our current grasp. Translate this destination into a clear, vivid view of what it will mean for the company to graduate into a next era, in which we'll be significantly more valuable and capable of reaching markedly further toward our destination.*
2. *With this definition of what it will take to graduate to the next era as a compass to steer by, define an agenda of what the company will actively execute that stretches the company beyond its current capabilities, while ensuring that our must-dos are achieved and leaving enough slack to preserve a certain amount of time for reflection, for cultivating serendipity and for operating intentionally and well. This agenda can and should change, but those changes should always be made explicit.*
3. *For each part of this agenda, except where there is an explicit choice to defer or pause, ensure that there is a sponsor who can formulate a brief – what outcomes, by when, subject to what constraints – select or find an owner, and oversee that owner's performance, deciding whether to shift the brief, the owner or other elements of the context as issues occur and conditions change.*
4. *Give owners room to shape their path to deliver on the brief. Provide owners the authority to make decisions except where decision-making is explicitly carved out for others as a constraint.*
5. *Ensure that sponsors and owners regularly and actively review their degree of confidence that the brief will be achieved (green, yellow or red) and the reasoning behind their respective assessments. Make these discussions clinical, without posturing. Ensure that sponsors and owners align on an explicit stance toward each brief that is yellow or red.*
6. *Acknowledge explicitly where there needs to be tension between different objectives, and define what individuals or groups should balance and resolve these tensions, whether tactically or at the level of principle and policy.*
7. *Articulate the patterns of how to operate well that will most strengthen and preserve the company over the long term – principles and practices – and consider this operating framework a shared backdrop that underlies the specifics of all the company's briefs, and informs how owners work.*
8. *Conceptually separate the management of people and their careers from the role of sponsor, whether these roles are played by the same or different managers. Ensure that each individual has someone with the requisite judgment and perspective who owns the responsibility of evaluating them fairly and holistically, guiding their long-term career development, and guiding decisions within the appropriate constraints about advancement, pay and separation. Separate evaluation of outcomes – was the brief achieved? – from evaluation of the person.*

Ensure that feedback is delivered directly to individuals, up, down and laterally, and that this feedback is well understood and contextualized by managers with career development responsibility.

9. *Maintain a strong discipline of observing when outcomes diverge from expectations and engaging in open inquiry to learn the causes of this divergence and determine how to act on them.*
10. *Give every member the context, information and voice to raise the issues and opportunities they see, a right to share perspectives and reasoning, but not to make the decisions that belong to sponsors and to owners. Default to transparency about all important information about the business, except where there is strong reason to have that information kept private.*

These ten principles require judgment, skill and art to apply effectively. However, nearly everything that constitutes good management could be framed as an elaboration of what's framed in slightly under six hundred words. No company will ever fully exemplify the ten principles in every part of its operations. Particularly under great stress – financial pressure, hypergrowth, response to a crisis – what is not essential to addressing the must-do problems at hand may rightly be compromised. In a well-managed company, these variances and compromises are noted as tensions, and leaders make conscious choices about what issues to tolerate and what issues to address.

Our imagined founder could be confident that if her company was truly managed in adherence with these ten principles, it might conceivably fail for a range of reasons, including the human frailties of poor decisions about critical transactions or questions of strategy, but it will almost certainly not succumb to mismanagement.

In our next post, we'll take the thought process begun here a big turn further and formulate the *one test* that we experience to be the best litmus test for good management.