

CEOs are made not born: why culture is the most overlooked page in the playbook

When it comes to building tech companies there are really only two resources: money and people. And, of these two, by far the most important is people. The last six months have seen extraordinary pressures put on businesses, large and small. We've seen company failures - Quibi closing after six months - and astonishing success: 'Zoom' has become a verb that everyone uses.

Temps de lecture : minute

3 December 2020

For me, the rollercoaster period has confirmed the importance of people in any scaling organisation. If you are scaling a business, as Jim Collins observed, who is on the bus matters more than where it's going.

Investors are often accused of being woefully ignorant of the subtleties in building world class organisations, despite accepting and emphasising their importance. Most of our attention falls, not surprisingly, on finance where we have sophisticated and rigorous systems for tracking, analysing and measuring performance.

When it comes to people, it's a different story. In startups and beyond, people suddenly become managers without any training, yet there is a lack of agreement on the optimal path for developing effective managers.

Early founders and young managers are expected to become great leaders merely by gut instinct and through trying and failing. When

McKinsey surveyed 500 business executives around the globe, only 11% of them agreed that their leadership-development interventions achieved the desired results. But FTSE 100 CEOs are not born CEOs, they grow into their roles.

Many companies - political parties and football clubs too - struggle to achieve a workable succession plan. Equally, founders do not suddenly become world-class managers when their headcount hits 100.

If the pandemic has shown us anything, it has highlighted how important it is for investors to actively encourage founders and their leadership teams to assess, develop and measure themselves as leaders and to focus on building a strong company culture.

Building world class organisations

Last year at AlbionVC, in partnership with Scalewell, we identified six organisational metrics that determine a company's 'fitness to scale'. Now more than ever these factors are a useful lens through which to view company performance.

Crisis either divides or unites a team. As people face an uncertain future they want to know why and how the company will pull through this crisis. Communicating a clear and compelling purpose is more vital than ever before, as well as the plan to deliver this.

Fitness to scale dimensions

- Direction: Is the business aligned around a clear and compelling purpose and direction?

We talk about mission-driven founders however, the direction of an

organisation can change. In the last few months, we have seen exceptional speed and energy as companies map out different scenarios and revise their strategies. Painful choices are not so difficult to make when the end goal is clear.

- Coordination: Is the business structured and managed for operational excellence and innovation over the long term?

Leaders need to design their business structures so they are future-focused and adaptive, with ever deeper customer awareness. This involves clearly defining roles, ensuring decisions are made quickly and at the right level, as well as improving collaboration between and within teams, across time zones and remote working spaces.

- Talent: How well does the business attract, manage and retain talent?

CEOs have displayed a blitz spirit in the last six months but tough choices have had to be made. Working from home has profoundly affected leadership and in particular we can see trust and empowerment at the core of effective management.

- Environment: Does the organisation enable people to work well together?

There are no sacred cows now — all workflows are up for grabs post-COVID. Communication is generally much better now than before, because it has to be. What continues to be hard is maintaining the health and wellbeing of disparate teams. We also see ongoing deep conversations ongoing around the future of work. A hybrid approach is

fast becoming the accepted model.

- Delivery: Is there capability in the business to execute flawlessly?

At the heart of flawless execution lies an operating rhythm built on shared goal setting, regular reviews, laser like cost focus and transparent prioritisation of resources. My company culture-pinup remains Amazon. Not loved by everyone, Amazon has a clear sense of what is needed as an organisation to out-execute the competition. It has evolved from a second hand bookseller into the world's biggest provider of cloud services (and much else besides). Whatever they do, they go ahead and win because out-executing is part of their culture.

- Innovation: Does the business respond and pivot quickly and effectively?

Scale-ups have always needed agility as a core capability. Now every business needs that ability.

Younger founders mostly 'get' culture

This is a mindset which sometimes divides the generations. Younger founders are much more conscious of this as a topic. Investors who put time and management bandwidth into company culture are pushing at an open door with younger teams.

Right now decades of change are taking place within months. Successful founders are still made, not born, but there is much more to it than spreadsheets and financial metrics.

Leaders who know how to identify and attract the right people to have on the bus and can then keep them on it, developing them as they go, will have the best journey in the end.



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