

Lecture 15 - How to Manage (Ben Horowitz)

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SUMMARY

The course focuses on a single critical management concept: the importance of understanding decisions from multiple perspectives within a company, particularly when making significant choices like demotions or raises. The speaker emphasizes that effective management requires seeing decisions through the eyes of all stakeholders, not just the individual involved, to avoid unintended consequences.

- *Key management decisions often involve emotional and complex considerations, such as demotions and raises.*
- *When demoting an employee, consider the broader implications for company culture and morale, not just the individual's performance.*
- *Raises should be handled through a formal process to ensure fairness and prevent resentment among employees who do not receive raises.*
- *Understanding the perspectives of all employees is crucial for maintaining a healthy workplace culture.*
- *Historical examples, such as Toussaint Louverture's leadership during the Haitian Revolution, illustrate the importance of considering multiple viewpoints in decision-making.*
- *Effective leaders must pause and reflect on decisions to avoid impulsive actions that can lead to larger issues later.*
- *Building a culture of transparency and fairness can help mitigate potential conflicts arising from management decisions.*

So when Sam originally sent me an email to do this course, he said Ben can you teach a 15 minute course on management. And I immediately thought to myself, wow, I just wrote a 300 page book on management, so that book was entirely too long. And I, I didn't actually have time to collapse the 300 pages into 50 minutes. So like Mark Twain, I didn't have time to write a good short letter, so I'm going to write a long letter.

But in this case, I'm going to teach exactly one management concept. So, one long thing. And this management concept though, is the thing that I see CEOs mess up more consistently than anything else, and from when they're very, very early to when they're very, very big as a company. It's the easiest thing to say, and the most difficult to master. And, the concept in musical

form, whoops, pardon me, very sensitive.

But musical form. This is from Sly And The Family Stone. Sometimes I'm right. >> So. No difference what group I'm in. So that's, that's the musical version of today's lesson.

For those of you, you are musical, you can leave now. In management concept form, basically it's this. When you're making a critical decision, you have to understand how it's going to be interpreted from all points of view, not just your point of view and not just the person you're talking to, but to people who aren't in the room, everybody else. In other words, you really have to be able, when making critical decisions, to see the decision.

Through the eyes of the company, and the company as a whole, which means you've got to kind of add up every employee's view, and then incorporate that into your own view, otherwise your management decisions are going to have have very weird, side effects and, and potentially very dangerous consequences. And it's a really hard thing to do, because at the point when you're making a decision you're often under a great deal of pressure. So let's get into the agenda.

So I'm going to cover a kind of four cases, first I'm going to cover demotions, which is a very emotional thing. Then raises, which is also an emotional thing. Then we're going to evaluate one of Sam's blog posts. Which is news to Sam, so I'd figure out I'd tease him since he invited me to do a 50 minute management class, after I wrote a 300 page book. And then I'm going to talk about, history's greatest practitioner at this, and I'm wearing a shirt with him on it, and kind of how he used it to do something he has done, had ever done before in human history and has never done since in human history.

But basically complete mastery, of, of the technique I'm going to talk about. So, first business example. You've got an executive, and do you demote, or do you fire him? And this comes from an actual conversation, an actual real life situation that I was working on with a CEO. And so, the basic situation was this. He had a great executive, or like an executive who, just a great effort.

Like, he hired him. He was working harder than anybody else in the company, doing you know, like, everything he was supposed to. Everybody liked him, because he worked so hard, and like was a general smart person. But he was just in over his head knowledge wise. He did not have the knowledge and the skills to basically do what the company needed him to do or, like, really compete against the competition, so he couldn't actually keep him in the job.

But he's a great guy. And you know, so the question is, well. Should I fire this person? Or can I just move him into a lower role and bring in a person above him. And then, like, you know, that would be real cool. So, let's look at how you kind of make that decision. So you in this, in this case this was the CEO, so you as a CEO. So, one like, look, it's really hard if somebody comes to work everyday like at, you know, 6 a.m., and is like working till 10 p.m.

And like doing it, like, harder than anybody in the company. It's really hard to just say, well, sorry, like, nice effort, but you don't get an A for an effort. You get an F because I fired you. >>

>> Nobody nobody wants to have that conversation. >>
>> And then, a demotion is kind of neat because from the CEO's point of view, and this is, he's like, Look, like, we can keep him in the company. He works so hard.

He's a good example of somebody who gives a great

effort. And you know, like, and then he's got a lot of friends in the company, and they're, you know, from a cultural standpoint like, it's a, it's a win, win because like, he gets to stay and, and, you know, like and then I can bring in somebody that can solve my problem, but I, I don't have to create another problem. And then if you think about it from the executive's perspective,.

And what they would think, it's like, well, I, you know, I don't want to be demoted. But I really don't want to be fired, because if I get fired that's a way harder more complicated thing to explain to my next employer than I got demoted. Like, getting demoted is like, well, I didn't really get demoted, I got a new job. >> A smaller title. And then, you know, the, the, the last thing is it enables, you know, like theoretically, while, like, you know, the company, you know, we value all our employees.

We brought you in. We made a commitment to you as an employee. And, like, we value everybody. And it kind of will enable you to keep growing with the company. And so. You know and this was the kind of initial conversation I had with a CEO and, and I said well wait a minute, I said, let me ask you this. Like what is the, what's the equity package that this exec has? And he goes well what do you mean?

And I was like, well like does he have like, director level compensation, does he got like a vice president level compensation? Does he have a point and a half? Does he have 0.4% or what? and, you know? That kind of gave the CEO pause. He's, like, well, he does have a point and a half. And I was, like, okay. So you're an engineer in your company. How do you feel about somebody who used to be the head of sales, who got brought in with a point and a half.

Now, mind you, you're an engin-, what do your engineers get? Like, they get. .1%, .2%, what are they getting at this point? So how are they going to feel

about somebody who's not the head of sales with 1.5% of the company. And he was like oh. And I was like, yeah, oh. Because like how fair is that? So are you going to take the equity away, are you up for doing that, are you up for going back and taking back his compensation?

And like how productive do you think he'll be if you take away his compensation? And then secondly, like Will people give him the same respect now that you've demoted him, because they knew him as this, and now he's this. And so like, I knew you when you were head of sales, now you're the regional manager, and you're telling me what the to do? You're telling me I need to make that call? Like, seems to me you got demoted.

You know, who are you to talk to me? I'm an up and comer. I'll be the next VP of sales at the next company. So all these things come into play. And so when you look out at the end, like you may think you're dealing with one person. You may think that this is a demotion, or a firing of one person, and what does it mean according to that one person. But what you're really doing is you're saying look.

What does it mean to fail on the job? Particularly, a very, the highest paid, highest compensated job in the company from an equity standpoint, and then, like, what's required to maintain your equity? Like is it good enough to put in an effort? Or do you have to get a result. And in different situations at different levels, look, these answers will come out differently. And if this had been a person not that was an executive brought in from the outside but was somebody who you maybe promoted past where they should have been, and didn't ever get that equity, like, maybe you make a different decision.

But you've gotta understand
what it's going to mean to everybody, not just the person
you're talking to. Example two. An excellent employee asks for
a raise. Good employee. This isn't like a, like the
last employee. This is like really good
employee. So excellent employee asks for
a raise. So, look. Your first thing is like, they're really good, they
asked me for a raise, they didn't ask me
for no reason. They ask me because they think
they deserve it.

I want to retain them. Like, I want to be fair. They've done a great job. I want to be fair, and, like,
you know, I know that if I give them
this raise, like, it's going to be all love
coming my way,. That's going to be if I gave
you a raise, we're good, you know, like we're boys. >> Look at you. You got a raise. >> It's awesome. So like, you
know from your
perspective you know what you want to do when somebody asks
you for a raise.

And then if you look at it,
okay, so what about from their
perspective, what, how would they, like, take it
if you gave them the raise. And now you have to remember
the employee from, for them to get to the point where
they've asked you for a raise. This is not something they
just like woke up one morning and like, I'm going in
and asking for a raise, right? Like this is something where
they've thought about it a lot, they've you know,
compared their other options, they may have an offer from
another company, you know, they're, it's something their
spouse probably has been talking to them about.

And so it's a serious thing. And so, if you give it to
them, they're very likely to feel
very good about it. Like, they may be like
paranoid, about like why are you giving
me a raise? But, very unlikely. Much more and they'll feel
like.

I'm sorry, I have to just let

the whole thing play. And that's, that's for those of you who don't know, that's Bobby Shmurda. >>

>> And, Rowdy Rebel doing the Shmoney Dance. >>

>> But that's, that's likely the reaction you'll get. So there's a lot of momentum to say yes, look, they read Sheryll's book, they leaned in and I'm going to reward them for, for doing all that, which is, you know? And, and by the way, that book has very good advice, so I'm, I'm not knocking on that.

I don't want you to be misinterpreting me. however, you know, there was going to be a however. What about, you have to think about it through the point of view of the employee who did not ask for the raise. So the employee who didn't for the raise, they may be doing a better job than the employee who did do, ask for the raise. And in their mind they're going, okay, so I didn't ask for a raise and I didn't get a raise, and they asked for a raise and they got a raise, and so what does that mean?

That means one, like you're not really evaluating people's performance. You're just going well whoever asks, gets. So that means like, I either need to be that guy, who asks for the raise. Like and I, I, you know, that's just no how I feel you know, I do my work and I don't necessarily want to ask for a raise. Or like I should, I just need to quit and go to a company that like actually evaluates performance.

And then you know, so you could really make the person who doesn't get the raise feel like, pretty pissy about it. And don't think that when somebody's walking down your company doing the shmoney dance that other people aren't going to notice, like. So they're going to be fired up about that raise. They're saying, oh you can say, oh this is highly confidential that I'm giving you this raise. It's not confidential. And then the cultural

conclusion is going to be everybody in your company is going to feel that they now have a fiduciary responsibility to their family to ask for a raise all of the time.

Because if they don't, then they may be missing out on a raise that they would have otherwise gotten. And like you talk to any experienced CEO and they will tell you this is true. Like if you give out raises when people just ask you for them, like that, you will have a lot of people asking you for raises. That is called encouraging behavior. So what do you do? And really, the right answer on raises is you have to be formal.

And you have to be formal to save your own culture. And I know this is always, this is the thing that causes people running startups, fits. Because, it's, like, well, I don't want, like, a lot of formalities. I don't want a lot of process. I want it to be organic. We want to do yoga. >> >> We want to only smoke organic weed. Sorry that was like a Peter. Peter got very focused on who was smokin' weed a little while ago.

But like, the process actually protects it protects the culture because what it does it says look, we're going to look at all the inputs. We're going to have a formal way of saying anybody who wants a raise come talk to me. Like, I'm not going to give you a raise, but I'm happy to hear your story. I'm going to talk to all the people you work with so I get like a, understanding of it. I'm going to evaluate all the work that you've done so I know like, where I actually rate you, and what my actual opinion on them.

I'm going to do that periodically, I'm not going to do it daily. But like yeah, maybe if I were fast moving I'll do it ever six months or even maybe once a quarter. And at the end of that process I will tell you want your raise is. And I will tell you if you're

getting one of if you're not getting one, but I'm not going to do things off cycle. I'm not going to do things when asked.

There's like one process, and that's it. And I, you know, when I used to be CEO, and I had, like, executive, it's the bigger this gets, the harder this gets because the more aggressive the people working for you are. Because to get to be an executive, it turns out, you often have to be pretty aggressive in this world. And in most companies, like, that's how you get to that level. You know, I would go, like, you can lobby me all you want, you know, after the process is done, and I give you your raise, but you know what?

I'm not hearing it, because I already went through my process. I got your input going in. I got everybody else's input, I've got so many people, I've got so much money and you got what I believe is right. And having a process like that basically gets people to be actually more comfortable. They're more comfortable because they don't always have to be on edge about like am I asking for what I deserve? Or am I getting like aced out because of who I am, what I look like, I'm not buddy buddy, I'm not at the golf course with you.

Or I'm not doing whatever you like to do. Or, you know? I don't have to worry about any of that. 'because I know your process. I know your processes like you're going to evaluate everybody, and then you're going to give 'em what's fair. And so that's a, a much better way to handle that. And it means that you're actually understanding what everybody thinks. Not just the people you're talking to at the moment. Okay, so now we're going to get into some fun stuff.

We're going to evaluate Sam's blog post, how. Which is actually, there are some very good things in it. And then there are some things I'm going to discuss. >>

>> So Sam, so this is the expert, excerpt. Most employees have nine, only 90 days after they leave a job to exercise their options. Unfortunately, this requires money to cover the strike price and the tax bill. I'll explain this a little later, just. But I want to read it first.

For the year of exercise, blah, blah, blah, this is often more cash than an employee has. And this is the key. And so the employee has to choose between like, leaving the job and walking away from the invested options of either money that she has because she can't afford to exercise or being like locked into staying at the company basically for all the wrong reasons. So particularly bad situation when an employee gets terminated and I'll get into that and that's a really key point.

This doesn't seem fair, the best solution I have heard is from Adam D'Angelo, a very, very smart guy at Quora. The idea is to grant options that are exercisable for ten years from the grant date, which should cover, you know like, all the cases you know, whatever happens with the company. There are some tricky issues to this. Blah, blah, blah. But it's still far better than just losing the assets. I think this is a policy that all startups should adopt.

So our question is well, like, was Sam right? Is this a policy that all startups should adopt. So let me first explain again what the policy is. So currently the way almost every stock option package in Silicon Valley works and in all of startup world is this. That your stock vests, you get stock invest over a period of time but if you leave the company, when you leave you have, and it depends on the company, but I think it's 90 days to exercise, so yeah, so 90 days.

And if you do not buy your stock in that period, Like it's not yours anymore. Which, depending on when you entered the company, could be a big problem. So a lot of companies today

that are valued a lot, like if you take like a really valuable startup like say an Airbnb, or an Uber, or something like that. When they bring you in, they go wow, you know? Like if you look at your 409A price. And to the preferred price.

Like the stock we're giving your right now, the options are already worth like \$10 million. And you're like, whoa, \$10 million. I'm rich. But what they don't necessarily tell you is, in order for you to get that money. Because their, the preferred is worth \$10 million, your options probably are going to cost you like \$2.5 million. When you leave, and if you don't have that \$2.5 million in 90 days, it's gone. Like you just lost all your money.

And so Sam was like, wow, that's **** up. >> And so he wrote a blog post. >> And he said everybody should change it. And so the first question that you have to ask yourself on something like this is well why is that even, like this has kind of been around since like the 80s so why is a rule like this around for 30 years. And it turned out, Sam, and I don't even, I, I don't know whether he like figured this out or just intuited it, but he was right.

Like something actually had changed. So up until 2004 there used to be this law called, APB opinion number 25. That law was the old way to account for stock options. And, you know, it's also the law that all the guys went to jail on. So I got a lot of people who cut a case on APB 25. So I'm glad it's gone. because it was a very confusing law. And a lot of people did not understand it.

And they literally went to jail. But when that was a law, if you gave somebody ten years to exercise their options you would never have

been able to go public. And you would never have been able to be acquired. Because you basically were taking an expense that was tied to your stock price. So basically, the more your stock went up, the more compensation expense you'd have to take. And the worst thing about it would be, is, you wouldn't know what it was going to be.

So it'd be totally unpredictable. So you could never forecast earnings ever. Because your earnings would be a function of all of your stock price. And so the more your stock price went up the more money you would lose. And in those days people did not look through expe, stock option expenses. So like it just wasn't doable. And that's why everybody's agreement was written at 90 days. So that's why it's there. So absolutely it's the right thing to question it being there.

Are you guys following? You get this? This is like more complicated than the first two examples but a very important one. Okay. Then so your perspective on this, if you've got employees, you want to be fair. Like nobody wants to like higher, hey, you've got all this stock in four years, psych. And especially like when you fire someone. Hey, you're fired! I feel real bad about it, but, you know, guess what? I'm also going to take all your money too.

>>

>> You must not feel that bad. So, like, that's kind of. Like a problem. But you also, and this is the thing that you've got to keep in mind. You also have to think about the people who are staying, and you want to reward the people who are staying. Now the employee, the perspective of the employee who leaves. And this is really critical because, this is your reputation, right? Like, I worked. Like, you know, a year's work.

Like, where's my year's pay? And then, okay, so now you're telling me about this 90 day exercise. And I know it was in, like, the fine print of my stock option agreement. But, my hiring manager never

told me about that. They never told me I was going to need like \$2 million to get my stock, which I don't have. And like so if I was rich, like, I'd get my stock. Like, that's not fair. And so, like, you know, now I'm fired, and then I'm screwed.

And guess what? You know, I'm going to tell everybody like, how you like, screwed me over. And so that's a real reputational problem. So that's something that you've gotta consider in setting this policy. But then you also have to consider the employee who stays. And, one thing that they're going to ask themselves is, look they're leaving. And every time anybody leaves it's like, was that smart? Like that's something you, because these are people who write, your employees know each other better than they know you.

In any company, I don't care what company you are. But like often the, the person they're really working with is, is going to be the person they know more. And so if that person leaves they are going to go, well like, should've I left too? Like, what did they get, and how does that compare to my deal? And so, like, if we look at the situation, and we try and analyze it, there is a lot of components to it.

So first is, look, companies tread a lot of people around here. And I think, like, really the average is somewhere around 10%, it's probably getting higher. Particularly if you're in San Francisco, it's getting higher. Just because of the nature of the culture there. And then, Silicon Valley companies dilute, like 6 to 8 or even 10% a year for employee options. And you have to keep in mind that, as mean as it may be, if that employee leaves and can't exercise their options.

Then those options come back to the pool, where you can potentially give them to people who are already there. So, you're actually taking less dilution. So that's something that you have to think about. I'm not saying you have to act

on it, but it's something that you have to think about. Then secondly, look, losing all your stock is a very big incentive to stay. And that can be good news or bad news, right? Like, it can be good news in that like, you get to keep somebody you might have lost.

It could be bad news in that you kept them for the exact wrong reason, right? because they have handcuffs on them. And so you know, you may get like, the an employee who's worse than not having an employee. But on the other hand, a ten year option on a highly volatile security, for those of you who have taken that class. Anybody taking that class? That's valuable, right? Ten years options are volatility and length. That's the value of an option.

Well, ten years on a start up stock, that's a big valuable thing. And then remember, the employee who stays doesn't get that. The employee who stays just gets the stock. They get that, but they don't get the new job and the new stock. So they get one thing but they don't get both things. And so, you've gotta weigh that in. So this is a hard one. Like, I think that it should be reevaluated by every company.

I wouldn't go as far as to say it should be adopted by every company. I think you have to think about what you want. And I would just offer kind of two alternative cultural statements. One is, look we treat employees with the utmost straightforwardness. We're going to be fair. And therefore, like you get ten years to exercise your stock. And like what we said we're going to give you, you're going to get regardless of how rich or poor you are.

Like, that's just a done deal. The second way to handle it, which is, and no companies do this. Which is why I actually really like this post that he wrote. Like, you can say up front, like, you're guaranteed to get your salary. But for your stock to be meaningful, like, this, these are the things that have

to happen. One, you've gotta vest. Two, you have to stay until, like, we get to an exit, like the company makes it.

And or, like you've got to have the money. And like finally, the company's like actually got to be worth something. because 10% of nothing is nothing. And look, the reason that we set the policy this way is like we really value people who stay. So don't join this company like, if you've got another, join another one in 18 months. because like, you're going to get screwed. And like, our policy like guarantees you're going to get screwed on that.

And so like, those are two ways to handle it. It really depends on like, you and how you want to run your culture. But again, with all these things, it's just critical to think it through from everybody's perspective. Because when push comes to shove, that's going to matter. It's going to change the outcome of your company. >> I'm actually revising my recommendation slightly. >> Let's hear it. No, I just think there needs to be more incentive to stay, through the years.

But-

>> Right, so you could add, you could add a stay incentive. >> But still like if someone gets, if someone gets fired I still think they get screwed a lot of the time. >> Well the other. And the other thing that's really important that Sam pointed out it's like, the distinction now is how much money you have, right? If you've got the money, you don't get screwed. You walk away with all, you can buy your stock.

You do take some risk, but you can buy your stock. If you don't have the money, you don't have the money. Okay. So, now, we're getting to the person on my shirt, Toussaint. He was the best at this. And I want to take you through some examples, because they're very powerful. Okay so, first of all, about Toussaint. He was born, the thing to

understand about him is he, he was born a slave. And but he wasn't just born a slave, he was born a slave in the most brutal place to be a slave.

Which was in kind of the, then the colony of Santo Domingo, you know, now referred to as Haiti. But this was actually a much more severe form of slavery, as were, kind of, all the sugar growing areas than even US slavery. Which is historically a very brutal form of slavery. And just to give you some numbers on it, basically, over the course of slavery, the, something like 400 years, a million slaves were brought to the US.

And at the end of slavery there were four million slaves in the US. In that same period, to the sugar growing countries in the Caribbean. 2 million slaves were brought over. And at the end of slavery, there were 700,000 left. So from just a quantitative perspective, like nearly ten times more brutal. And I'm going to read this to you. I don't know if I quite have time, but I don't care. >> So but, just to, to give you an idea, this isn't just like a quantitative thing.

I'll read you sort of a, a description of slavery in Toussaint's area. Whipping was interrupted in order to pass a piece of hot wood on the buttocks of the victim. Salt, pepper, citron, cinders, aloes and hot ashes were poured into bleeding wounds. It's not to heal them, this is to make it worse. Mutilations were common. Limbs, ears, and sometimes private parts, to deprive them of the pleasures which they could indulge without expense. Their masters poured burning wa, wax on their arms and hands and shoulders.

Emptied the boiling cane sugar over their heads, burning them alive. Roasted them on slow fires, filled them with gunpowder and blew them up with a match. Buried them up to their necks and smeared their heads with

sugar, that the flies might devour them. Fastened them to the nests of ants or wasps. And made them eat their excrement, drink their urine, lick saliva of other slaves. One colonist was known in moments of anger to throw himself onto slaves, and stick his teeth into their flesh.

So that's the slavery that he grew up in. And it's really important to understand this. Because to get out of that perspective, was not easy. But he had a vision and his vision was kind of threefold. One, he wanted to end slavery. Two, he wanted to actually take control of the country and run the country. And thirdly, he wanted it to be a first class, world class country. Not just like something that, where he had freed the slaves, but something that could compete on a world wide basis.

And so that was his mindset going in. But that was the background that he came from. So example, management example, one conquering the enemy. So, the kind of sequence of battles that occurred in Haiti. Where first, you know, he had to kind of defeat the locals. But then, once he defeated the locals, which is, there were several countries that were very, very interested in taking control of Haiti. Principally Spain, England and France. So he had to defeat those armies as well.

When he conquered them, he had to decide what to do with the kind of conquered soldiers, and the leaders on the other side. And, to do this, he really took into perspective kind of, three different points of view. One, his soldier's point of view. Two, the enemy's point of view. And finally, the point of view of the resulting culture. Like, what kind of country was he building? Because the army was going to be the seed corn for the culture of the whole country.

So from the soldier's perspective, I get this, you know, do we get to pillage? Like, soldiers like to pillage. They get stuff, it's something for their work. And like, the second thing is, they're trying to kill us, so we should kill them. Like, that's a basic perspective of the people who are fighting for 'em. So, the most important people to, to some. Now, I put pillage up there so, a couple things to note. One, I didn't put rape up there.

And very interestingly, like not only did he not allow rape among his army, but he didn't even allow his officers to cheat on their wives. And if they did he'd get rid of them. Because he was so concerned about the resulting culture. What was it going to be? Was it going to be productive? Was it going to be best in world? Or was it going to be something less than that? And so that's, that was his mindset going in.

His army was actually famous for not pillaging. So they were actually already used to this, they were famous for not pillaging. And this was a, one of the most surprising things to conquered people. To the point where, in Haiti he had a reputation when even the white people were like, very impressed with him. Just because he would go in and go into their city and not pillage, even though he would win. But, again, this is because he took a long view of the culture.

So, and this is a kind of important settle point, which gets him to his conclusion. But he believed that the culture of Haiti, because it was a slave culture, sugar plantation culture, was just pretty low grade compared to what he had experienced in Europe. When he dealt with the Europeans. And then he thought that slave culture was even more broken than Haitian culture because if you think about slave culture it's like the kind of culture where oh, you don't do what I tell you, I'm

going to beat you to death.

I'm going to blow you up with
gunpowder. If you think the kind of
behavior that, that, then, that ensues from
that. That was the culture he knew
he needed to replace. He knew he needed to upgrade. So his solution was, when he
conquered the British or he conquered the Spanish or he
conquered the French. He would take the very best
people from there. And he would make them
generals in his army. Okay, so, you probably didn't
expect that.

Like, so, here are the guys
trying to kill him. He's leading a slave
revolution. And he, when he conquers the
enemy, he actually incorporates them
into his army, and makes him part of that. Because he wanted the
expertise, and he wanted the, he wanted the culture to be at
a much higher level. So the second question he had. This is even more complicated. What do you do with the
slave
owners? So you're leading a slave
revolution.

You take control of the
country. What do you do with the slave
owners. Three perspectives again. So for the slaves, like, come
on, like if you're a slave and you win the war against the
slave owners, like, you want to kill them. There is no question. And not only do you want to
kill them, but like that's your land now. Like, we won. Like F you. From Toussaint's perspective,
it was more complicated because he wanted Haiti to be
a first world country and sugar was really important and the whole slave economy was
the sugar economy.

Then, right, like, on the
other hand he was a slave and he's got to be pretty upset, particularly given the type of
slavery. Then he had, but he had to
consider like, he didn't know how to run a
sugar plantation. And then like, he didn't have
any business relationships on who
to trade the sugar with. But on the other hand like,

like war, like you win the war you get the land. Like, that's a pretty like basic rule.

So what to do? And then if you look at the slave owner perspective, it's pretty interesting because they're coming at it from the, and this is the point of view that he actually had the discipline to understand. They were coming from a cost structure that was predicated on slave labor. So, like, their business didn't work without slave labor. Like, literally if they had to pay people, like, their cash flow wouldn't work. They paid a lot of money for the slaves up front.

And they paid a lot of money for the land. So in their mind, like, to run it, like, that was, like, that's how business worked. Like, you can't just, you can't just like change the economics and have it still work and then they knew they had like some power because of the position they were in. So what was the answer for the slave owners? So, one, so a solution was like, one, I'm going to end slavery, two, I'm going to let slave owners keep their land.

Three I'm going to make them pay their workers. So there are no more slave labor. You have paid workers. But in order to fund that I'm going to lower their taxes. You guys ought to be kind of impressed with that. Like, lower the taxes of the slave owners after you defeat the slave owners and, like, end slavery. But he had a bigger goal. He wanted a stronger culture. The way he treated those slave owners, the, the need to keep the economy going was important.

And then, like, let's look at the results. So, first of all, it is, Toussaint's revolution is the only successful slave rev, revolution in the history of mankind. There's never been another one. There may never, hopefully. We won't have slavery in a big way, and there won't be another one, so, like, he's it. Two you know, the plantation owners kept their land. Three, he defeated Napoleon. He had a booming economy and a

world-class culture. Under Toussaint, Haiti had more exports, export revenue than the United States.

So that's how successful he was in the revolution. And this is the power of looking at a situation not just from your point of view, but from the point of view all the constituents, even the people you hate. Which is hard to do when you're CEO, and harder to do when you're leading a revolution. So just, look, in conclusion, the most important thing that you can learn as CEO, the, one of the hardest things to do is, you have to discipline yourself to see your company through the eyes of the people that you're working through.

Through the eyes of the employees, through the eyes of your partners. Through the eyes of the people who you're not talking to. And who are not in the room. Thank you. Now for questions. Yes, sir? >> How do you communicate the message to the rest of the employees?

>> Right. Right. So this is a great question. Yes. So the question is, so if you've gotta fire the modern executive. One, how do you have the conversation. And then too, like how do you explain it to everyone else? because like it's clearly some kind of failure. You failed on hiring, you failed on integrating, they failed at their job. Like some, like it's failure. And so, I'd say look, the first thing is, when firing the person, you have to really try to be honest.

And you're feeling like you failed. And I think a common reaction is like, then there's a couple common reactions. One is like, you just suck. And like, so, like, I'm firing you. **** off. That's not good because it's not really true. It may be like, you know, you're failing that way. And then another kind of common mistake is just to be like you know, too mushy. It's not you, it's me. And it, like, feels like some kind of weird break up with an ex-boyfriend that you

really didn't like.

But generally, like, when you hire people it like, you try to hire the best. And you hire people who are qualified to do the job and generally the reason that they fail in the job is you made some mistake in the hiring process and that you didn't match them to the needs of your company accurately enough. That's the number one reason why this fails. And so that's generally a good place to start. To say, like, here's how we are.

And here's what I didn't recognize about us and about you when I made the decision. And now, like, it is what it is. So we're going to have to move on. And then when you talk to the employees about it. Like, this is, and this gets different. Which is, look, you can take somebody's job. You have to take their job. And this is something Bill Campbell taught me. But you don't have to take their dignity. And so it's not necessary to get up in front of the company, and say, I blew that **** out.

I capped his ****. >>

>> In fact, that's not good because if somebody feels good about that, like, you know, you might feel like proud of yourself, but like nobody else feels good about that. You know, the right thing to do is just like thank them for their work, like let people know that they're moving on. And you don't really have to explain all their personal details. It's more important to leave them with their dignity. And like let them go on to live another day because look, what you say at that meeting?

That's their reputation. Because everybody in your company is going to get a call on that person when they try and get their next job, so if you start saying a bunch of BS about them? Like that's not going to be

good. And it's not going to get interpreted as like, we screwed up. It's going to get interpreted as you know, he screwed up. And so they're kind of two different things. You have to be very honest with them but you have to make sure you preserve their dignity when you talk to the company.

Yes sir. >> So I was reading your book yesterday and one, like, I started getting heart palpitations because it. >> Sorry about that. >> Yeah like, elsewhere. And so one question for me, I think for everyone is how did you in particular deal with all the stress? Like, was it, like, meditating, hip-hop. >> >> What do you do? >> So the question was, how do, how do I deal with all the stress of, being CEO. And the answer is I used to be six foot four and good looking.

>> So clearly not very well. I get asked that a lot and I, I really don't have a great answer for it. I mean, I think that the one, I have a wonderful wife who's sitting right here. So I'll say that. >> So if you're married to somebody, if you're married to somebody who's supportive, that makes it, like 1,000 times easier. If, if I did not, if I wasn't, I would definitely probably be dead,.

>>
>> But, but the one thing with stress is you've got to keep your focus on what you can do, not what happened to you. And that's a, it's a really hard thing to do, because it's constantly, and people are always asking you about it, like, what the **** are we going to do? We're going to die, we're running out of cash. It's all going to be over soon. But you can't focus on that. You have to focus on, okay, like what are my options?

What can I do? And where can I go? And the better you are at that, the kind of higher your chance of, for success. Yes. >> How did Toussaint get the French generals to work for him, like what was his pitch? >> Oh, so this is a great

question. How did Toussaint get the French generals to work for him? And the reason was that they were so shocked that he didn't kill them because he was like, they, their perspective is we're fighting the slave army, we're fighting the savage army.

They're going to kill us. And so when he said, like, we're not going to kill you, that was such a shock to their system that it completely reoriented their whole way of thinking. And they actually became much more loyal to him than they ever were to France. And they actually borrowed that technique, interestingly, from Julius Caesar who he had studied. He was a very unusual slave in the sense that, his, his owner recognized how smart he was and put him in the library, because he wanted Toussaint to eventually run the plantation for him.

And so the person that he studied most of all in his masters' library was Julius Caesar. And so he borrowed that technique from him. But applied in a much kind of more dramatic context. And so, his army was kind of. He had British, French, Spanish slaves. And mulattos, who, most of the mulattos in Haiti, at that time were pro slavery. So that was another issue, but his leadership was so great everybody wanted to join him.

Yes? >> How do you incorporate that same ideology into people who were previously against you, on your side? >> Yeah, so. You know, and it, it's, different in different ways but a lot of it, you know, his whole strategy. And, and look, I'm sorry the question was, how do you, get people, how do you incorporate Toussaint's ideology and get people who were previously against you on your side. And I would just say, like, what he did, in general.

Is, is the right thing, which is to, basically you have to show them a better way. You know as a leader, if

someone's your enemy, and you need to convert them over. And this happens in business too. Where like somebody's like a competitor or something, and you want to bring them over. But you want to bring them over, you know, you don't want to bring the, all the unethical people who'll switch competitor to competitor over. And it really is, like, your culture has to be elevated.

Your mission to be elevated. Your way of doing things has to be just better. And that was the thing that was so compelling, for, for the other. Yes,. Yes.

>> Okay, so going up, your last name's actually. It's just sort of like introducing the bill, and it's like Have you built like a culture around people? You know, all the entrepreneurs you work with that sort of differentiated you in the market from all other VCs? >> Probably not the best question for me.

I could ask Sam that. I don't know, so the question is, you know, have we built a culture at Andresen Oritz that is differentiated us from all of their VCs? I feel like, you know, that's certainly the goal, and, you know, we've been around for five years now, and, you know, the, the, the attempt that we made at it, and it's for the rest of the world to judge if we succeeded was basically this, that. You know in the old days of VC, when I was an entrepreneur.

The basic idea was like you'd have an entrepreneur and, or an inventor, and they'd get a company to a point, and then at that point they'd either be like ready to be CEO, or you would go find a CEO to replace them and build quote, unquote the company. Our kind of cultural philosophy was like, the founder inventor is special so, we're going to design the firm and the culture of the firm to help the founder develop into a CEO, and so we do a lot of systematic things different.

The two biggest are one, all of our partners are kind of founders, CEOs. So that you get somebody, our original motto is some experience required, it's a joke. >> If you were going to advise the CEO, you have to have kind of been a CEO, imagine that. That's why I like Sam, he used to be a CEO, he doesn't talk about it that much, but he, he was a CEO and good at it. And then the second part is that a professional CEO would bring in, in the old days is, is a network of just tons of people that he would know from like all kinds of, you know, guys who, who bought technology at big corporations to, like important partners in the field.

Like, guys like Google and Facebook to, you know people in the press that, that he or she might know and so forth. And so we try to basically build that network on your behalf, at the firm. And we probably, I think we do a better job of that than anyone else. So that, those are the way that, that we try to be differen. One more question. >> Yes, one more question. Yes, the front row. >> Is this like, putting yourself in others, people's shoes is very important in management.

So, can you give us some tips to do it? >> Yeah, so. >> How can you. >> Yeah, so, so, putting yourself in other people's shoes is, is difficult in management. Can you think about how to do it in daily life? It's hard. It's hard in daily life. It's even harder in management. Because it's a stress of the moment, right? Like, a great employee is asking you for a raise, it is very hard not to respond.

It's, it's a very, because like you do not want to lose them, and like they're not asking you for a raise randomly. They're asking you a raise for a reason. And so to say okay, you know, particularly if you don't have a process in place to go stop, like back out. I would just say that, and it's a key thing in being, a leader is you've got to

pause yourself. Like if somebody comes to you with something that you know is important.

But you want to feel like, you know, when you're a leader you want to feel like you have all the answers. Like right now you guys are asking me questions, if I don't know the answer I'll make something up. Because I want you to think I'm real smart. and, and it's important, I, I'd say the most important thing is to pause. Like so if you know something is really important and you haven't thought it through. Says to say, you know, look, I'm taking this really seriously but I have to pause because I have to think it through from all perspectives and I'm going to come back, and, and I end up doing that a lot just because there are a lot of things that you run into that you haven't seen before, and I'll tell you, you, you know, most CEOs, including myself, learn this the hard way.

You walk in you kind of step in it like three or four times. You go okay, I'm going to sneak away with this. Nobody's going to see me give them the raise. I'm going to do it and it's going to be all under the covers, confidentiality baby. And then like it comes up and it blows up in your face three weeks later. And you're like, oh my God, what have I done, or three months later, or even a year later.

And then, you know, once, it's a year later, it's a huge problem. Like so you've taken what's a little emotional problem and you've turned it into a forest fire. You know we call it the kimchi problem. The deeper you bury it the hotter it gets. >> It's a Korean joke. But but, you know, it takes practice. I would say it takes practice. And it's very difficult to do. And I would say, you know, like, some of the, my friend, Bill Campbell.

This is his big skill. Like, this is what he's so great at. People always try and describe him to me. And I'm like, that's not him

at all. That's not what he's good at. Like, he's not good at that or that. He's good at this. He's good at seeing the company through the eyes of the employees. And, it's, like I said, if you, if you're good at that, you'll be in a, very likely in an elite, leader.

So thank you, thank you.