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The Entrepreneur's Toolkit

Entrepreneurial leadership was once a competitive advantage. Now, it is a necessary capability. You need to develop an entrepreneurial mindset to overcome the challenges facing new and growing businesses and propel your business forward.

You're in the right place.

At Babson, entrepreneurship has been a core part of our DNA since our founding more than 100 years ago, and we're proud to be the No. 1 college for entrepreneurship in the country. Today, our entrepreneurship faculty are serial entrepreneurs themselves, uniquely positioned to advise on how to launch, build, and scale entrepreneurial ventures. Their expertise in family business, mergers and acquisitions, growth strategies, and more is informed by their academic research, advising thousands of startups, and firsthand experience.

To help you see how our entrepreneurship expertise can help you, we've collected some of the most compelling advice from Babson's entrepreneurship experts. Let this toolkit be your preview of the expertise you can expect from Babson's entrepreneurship programs.

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Beyond the Buzzword:

Why Your Business Needs Design Thinking

By Kate Sitarz

First things first: Design thinking isn't the same thing as design.

Rather, design thinking is "both an effective problem-solving approach and a mindset," explains Sebastian Fixson, Babson College associate professor and design thinking researcher.

And, for companies using design thinking, it's much more than a buzzword—**it's an effective path to innovation.**

Design Thinking as a Problem-Solving Approach

To illustrate the need for design thinking, Fixson gives this example: in the U.S. today, there are thousands of cereals available. Says Fixson, "Making a cereal a bit crunchier is probably not going to do anything." That's where design thinking comes in: to help companies innovate and develop a strategic advantage within their industry.

Expert Tim Brown's design thinking model has three steps: inspiration (finding the problem or opportunity), ideation (developing possible solutions), and implementation (testing solutions). Other models have four or five steps but all involve applying user-focused, or human-centered, design to find, identify, and understand the problem and opportunity. "We need to understand what users really need," says Fixson. "As a famous anthropologist once said, what people say and do, and what people say they do, are entirely different things."

Here's an example of design thinking in action: Pepsi hoped a smaller, pink package would help them sell chips to women in Japan. But that hypothesis was incorrect. "When someone took the time to understand how things are consumed," Fixson reveals, "they found that women like to snack, but the cultural context makes it inappropriate. It's noisy in an office environment."

That single insight led to a redesign of the chip to make it smaller and less noisy when crunched. "A deep understanding of user context was the relevant piece—not trivial, surface-level gender associations."

The implementation stage varies greatly from traditional problem solving, too. Instead of a full-scale implementation, design thinking is about performing quick tests to see how people respond to the solution. "Let users tell you what's right and what's wrong," says Fixson.

At Blue Cross, Blue Shield of Massachusetts, Molly Mazzaferro, Director of Innovation, is using this approach to get customer feedback as early as possible. "[We could] spend months, years building something only to find you're solving the wrong problem," she explains.

"That's where the power of design thinking lies: the time and attention to understand users in a deeper way," Fixson said. "Having a better idea of the problem allows you to develop a better solution." And, implementing small tests lets you fail fast and iterate quickly.

Design Thinking as a Mindset

Another important note: design thinking is a mindset that requires patience.

"We all tend to want to develop solutions quickly," empathizes Fixson. But for design thinking to work, you've got to focus on finding the problem. "It takes patience and a willingness to suspend solution generation for a while and focus on identifying the problem first. Accept not having the question yet. That's a mental problem for many of us."

The mindset also requires a shift in the perception of failure; taking the time to observe, learn, and understand the actual problem.

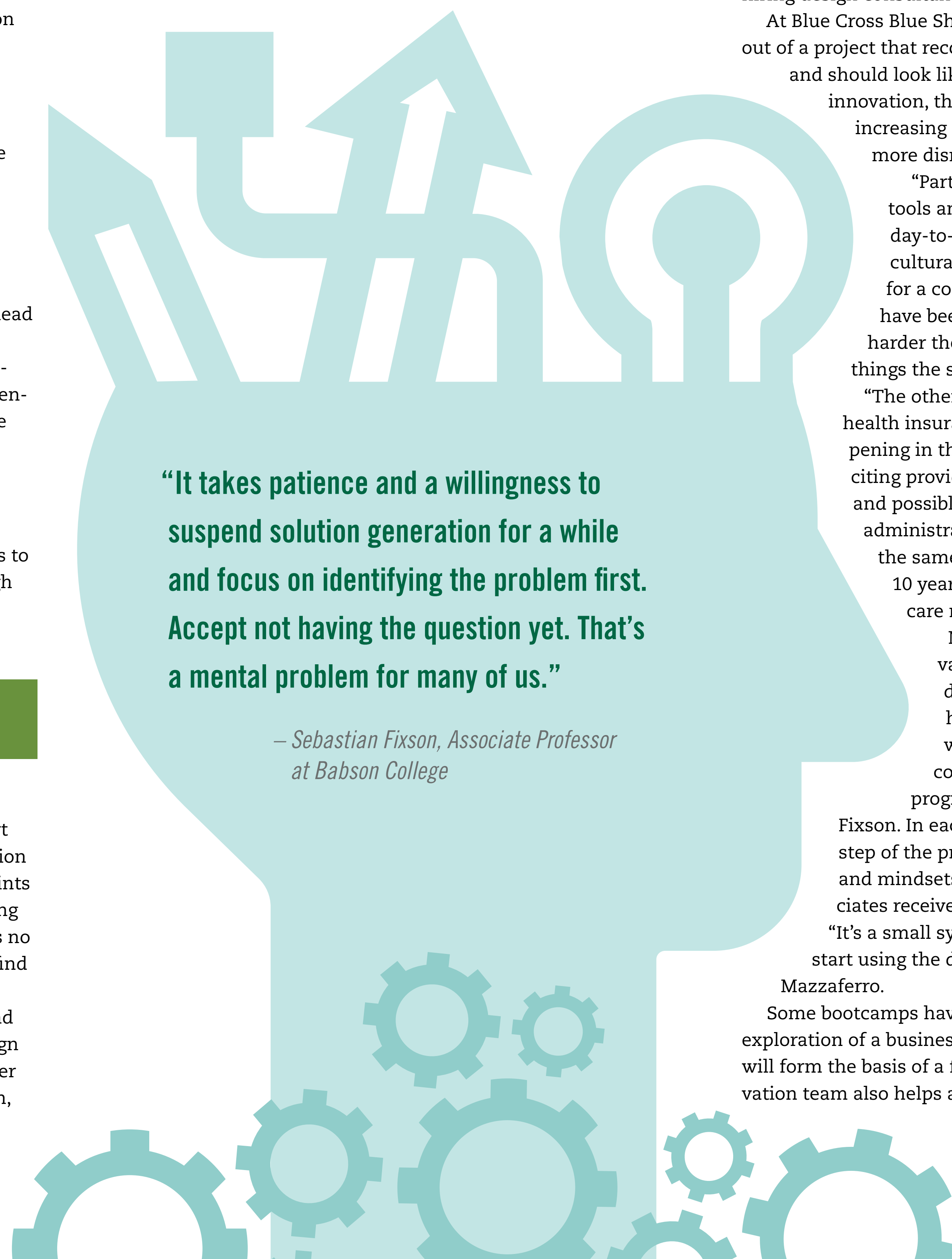
Instead, companies need to strike a balance between the two mindsets. "There are three characteristics a product needs to be successful: it needs to be desirable, technically feasible, and economically viable," Fixson explains. While most companies are good at assessing technical and economic viability, they've lost touch with the details and emotions of customers. And, that emotional element may lead to a completely different—more effective—solution. Mazzaferro believes the mindset is equally (if not more) important than the process. "For us, it's about being human-centered and bringing the customer into the conversation," she explains. "That's not traditionally how we've approached problem solving."

Her team also utilizes "radical collaboration"—bringing in provider partners, government agencies, students in the Boston area, and doctors. "We want to bring all these voices to the table for everything from problem identification through solution development."

Developing a New Mindset

Understanding design thinking is just the beginning. For design thinking to work, a company's culture must support experimentation. "In many companies, traditional evaluation methods would quickly suggest some of it is wasteful," points out Fixson. "Most budgeting methods are good at measuring costs, but poor at measuring missed opportunities. There's no way of putting a dollar sign on an opportunity you didn't find a solution for."

There's also the issue of time. "You've spend X hours and haven't produced something yet," Fixson says. "Using design thinking on every project may be wasteful. But, on the other hand, if your goal is to think about a new or better solution, then the question becomes can your organization find a way to spend time and attention to rethink the problem?" For Mazzaferro, it's getting people to "fall in love with the problem. It's human nature to fall in love with the solution before you know it's the right thing," she explains.



"It takes patience and a willingness to suspend solution generation for a while and focus on identifying the problem first. Accept not having the question yet. That's a mental problem for many of us."

– Sebastian Fixson, Associate Professor at Babson College

Taking the First Step

"Every company has a different approach, and it depends on how deeply they want to embed design thinking into their way of working," says Fixson. Some organizations are hiring designers in leadership roles. Others are training large swaths of employees in design thinking, while still others are hiring design consultancies on a project basis.

At Blue Cross Blue Shield, Mazzaferro's team was born out of a project that recommended what innovation could and should look like at the company. Dedicated to innovation, the team is charged with two things: increasing incremental innovation and pursuing more disruptive ideas.

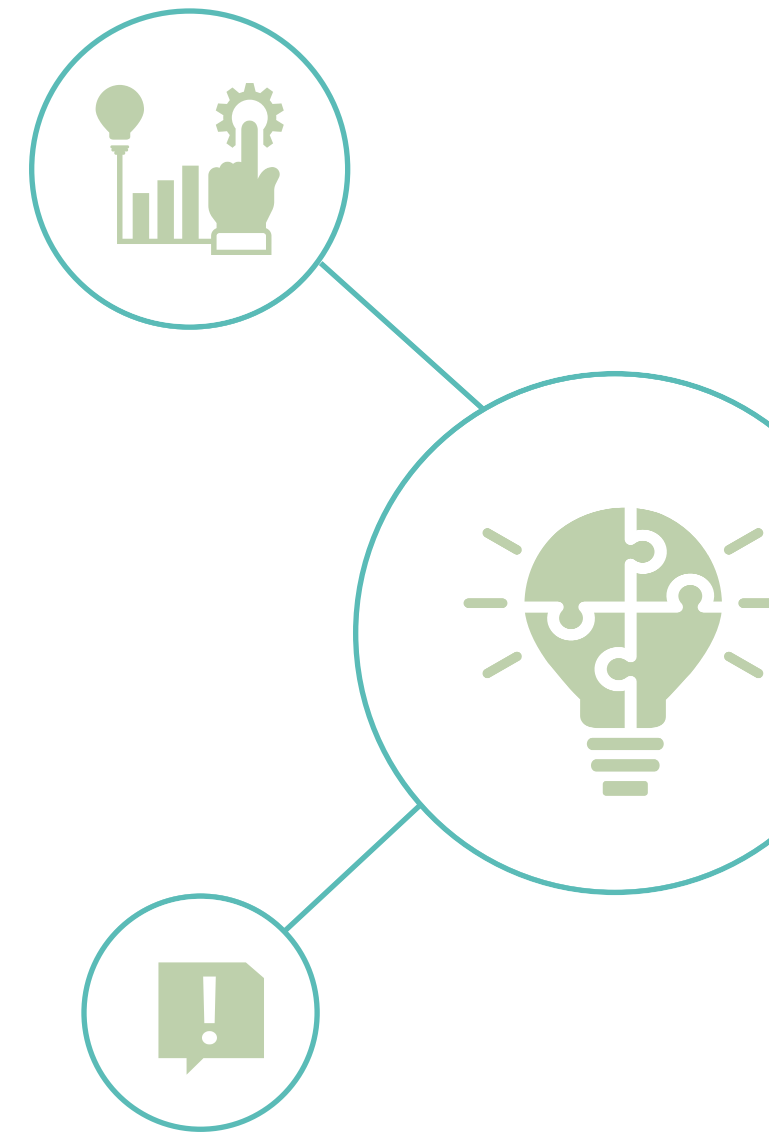
"Part of it is arming employees with the tools and mindset to work differently on a day-to-day basis," explains Mazzaferro. This cultural change piece is slow, steady work for a company filled with employees that have been there for many years. "Change is harder the longer you are someplace doing things the same way."

"The other side of our work is thinking about health insurance and the rapid changes happening in the industry," Mazzaferro continues, citing provider consolidation, startup activity, and possible changes due to the current political administration. "Health insurance won't look the same in five years, and definitely not in 10 years, how can we think about healthcare more broadly than insurance?"

Now five members strong, the Innovation team at BCBSMA is sharing the design thinking methodology across her organization with a curriculum which includes a 90-minute crash courses and two-day bootcamps, programming developed with the help of Fixson. In each session, teams experience every step of the process, trying on different behaviors and mindsets. After attending a bootcamp, associates receive a black bracelet that says "catalyst." "It's a small symbol to show they're empowered to start using the design-thinking mindset," explains Mazzaferro.

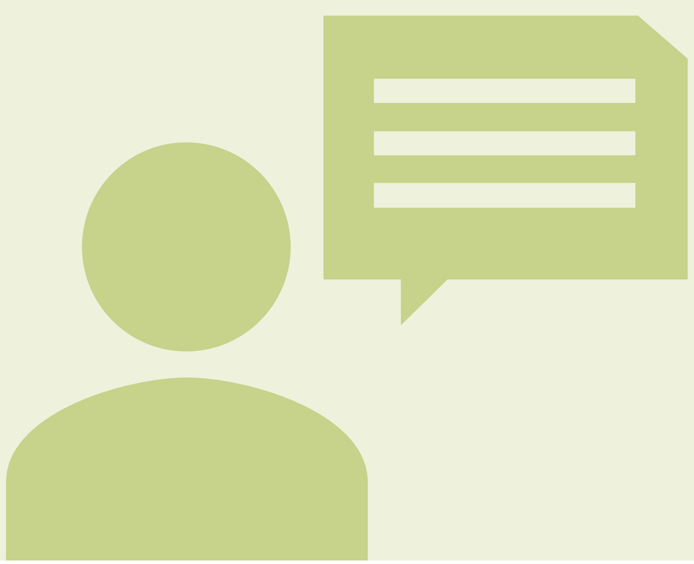
Some bootcamps have rolled into sprints for deeper exploration of a business problem; eventually, those sprints will form the basis of a full incubator program. The Innovation team also helps anyone in the business set up user testing parties to test emerging ideas with actual customers. To date, they've touched over one-third of the organization with the design thinking process, always bringing in individuals from outside the organization to demonstrate the radical collaboration idea. The team's ultimate goal is to build an innovation center—a dedicated physical space where unlikely partners collaborate for better health.

So far, Mazzaferro has seen Post-it notes up on walls of the insurance provider's offices, something she hadn't seen before. "The buzz is growing. It's felt like we've been doing it forever, but it's only been a year and a half. We have to be patient," she says. "Some people are never going to be comfortable with it. But we keep marching on."



It's Time to Startup. Is Your Pitch Ready?

By Debi Kleiman



Many things have changed in the startup world as a result of the COVID-19 global pandemic, but one thing hasn't: The need to have a great pitch.

It takes a village to be successful with a new venture. Entrepreneurs need great mentors, connections, employees, funding, and other resources to make it happen. Pitching is how to get them.

Telling people the story of your startup, and getting others to buy in, is the only way to attract the right people to help you.

But, for most entrepreneurs, pitching is as fun as a glitchy connection on a Zoom call. It shouldn't be that way. Sharing a big idea with the world is amazing! So, I wrote a book to make it easier.

My book, *First Pitch: Winning Money, Mentors, and More for Your Startup*, takes the pitch process and breaks it down into manageable bites, providing actionable advice and stories from Babson alumni entrepreneurs. I want to help founders take those first few steps and start to get others enrolled in their new venture. This is how a new venture takes on life. And, now is the best time to do it.

Build Storytelling Skills

People have asked me if launching the book during this chaotic time makes sense. And, my answer is always the same—a resounding yes. It will be the entrepreneurs who lead us out of this and into our new future. And, they need the tools to do it.

Take, for example, Ravish Majithia MBA'18 and his company, Magnomer. The inventor of a magnetic ink that could revolutionize how plastic is recovered and recycled, Majithia had a world-changing idea. But, every time he told his story, his scientific-self got mired in the technical details. No one cared.

After crafting his pitch to create an emotional connection with his audience and use storytelling skills to show why the world needs Magnomer, everything changed. He could communicate about his company in a way that put people on the edge of their seats and what's more, they now wanted to help.

Create Personal Connections

In reality, thinking about a pitch as just a presentation sells the whole process short. Pitching is something entrepreneurs will do nearly every day from the start of their journey.

But, it's not just what you say. Pitching is personal. Much like everything else important in life, how you present yourself and your ideas, create trust, and build strong relationships drives the result. Understanding your audience and delivering your message in a clear and compelling way have never been more critical. Our current context makes it harder to do this.

But, that context also creates an opportunity. I think people are craving connection, something to believe in and cheer for.

Why not you? This chaotic and uncertain time forces us to see almost everything in a totally new light. What's broken, where can we problem solve, how we can secure a better future? Use this moment to put your unique perspective and insight to work.

If there's one thing I've learned in many years working with startups is that entrepreneurship is a team sport. It's impossible to create the next big thing in a vacuum. So, get out there, tell people about your idea and why now is the right time for it. The world badly needs entrepreneurs to innovate our way into the new normal.

Launching a Startup? Avoid These Three Common Legal Mistakes

By Kait Smith Lanthier

The results indicate that, of the 202 million working-age adults in the United States, 27% are starting a business or running a business they own and manage. This equates to 54.5 million people generating their own source of income, with many creating jobs for others. Among those millions: plenty of first-time founders navigating a brand-new startup landscape.

In the excitement of finally launching a venture, legal questions and concerns may be at the back of a founder's mind. But, they shouldn't be, says Jack Steele, a lawyer at Pierce Atwood LLP who frequently works with new businesses. To avoid battles down the road—and make seeking funding, or eventually selling the company easier—legal issues should be top of mind from the start.

In a session with student founders through Babson College's Arthur M. Blank Center for Entrepreneurship, Steele shared a list of some of the most common legal mistakes—and how to avoid them. He was joined by Joanna Geisinger MBA'17, founder and CEO of TORq Interface, who shared her experience navigating legal waters with her ventures.

While the advice outlined below is a good jumping off point, don't overlook the importance of seeking counsel from an experienced startup law expert early in the process.

1 Failing to Iron Out Equity Agreements

So, you founded a business with your friends. Great! Before you rush to get it up and running, ask yourself: How will you divide equity? What happens if one of your co-founders leaves after one year?

These are important questions to iron out at the beginning; when they're left unanswered, startups find themselves in trouble. "If there are four co-founders, there is a very small chance all of them will be together after two or three years," said Steele. "This is an issue with any new startup, but we see it a lot with students."

Have the equity conversation from the start to determine how it will be divided among the founding team. These conversations might be awkward—especially if you ultimately don't divide equity equally—but they're important. And, the conversation shouldn't end there.

"Let's say four co-founders agree on 25 percent equity, then one leaves," advised Steele. "Some ask how they can take that equity back. Basically, they can't, unless they did something about it at the beginning."

Here's where vesting comes in. Under a standard, four-year vesting schedule with a one-year cliff, founders vest their shares during the four-year period. The cliff means founders won't be vested any equity until they've been at the company for one year.

Though she has no co-founders, Geisinger utilizes the four-year vesting schedule for her company, and maintains the majority share in TORq. "I'm grateful that I have control over the company, and the ability to make decisions."

2 Sacrificing Decision-Making Power in Exchange Capital

Speaking of decisions, here's some food for thought: Does your capital come with strings?

It's common for new ventures to seek outside funding, but not all money is created equal. Steele advises founders to consider the source, and think through the implications associated with where the money is coming from.

For example: Taking money from a strategic business partner may seem like a wise choice, but there may be expectations associated with that capital. "We've seen situations where the string is exclusivity, or a right of first refusal on a sale," said Steele. "This can make it difficult to move expand your market, or eventually sell the company."

Geisinger recommends making relationships with these strategic partners early on, but waiting until your venture is more established to seek their funding—a policy she has maintained when leading her business. "At the end of the day, I want to have a say in the direction my company goes," she said. "Until you're someone big, too, keep the big names out of your company."

Crowdfunding might not be the way to go, either. Startups accepting crowdfunding might find it difficult to attract venture capital funding later on. Plus, keeping track of (and keeping happy) the high number of investors who typically participate in crowdfunded campaigns is a lot for a new business to manage.

3 Not Protecting Intellectual Property

Intellectual property is the ownership of ideas. Per *Entrepreneur*, "Unlike tangible assets to your business such as computers or your office, intellectual property is a collection of ideas and concepts."

Protecting your IP can make your business more attractive to future investors, and prevent competitors from stealing your idea. Your business is built on your idea—but do you own it? When working with a tech firm while simultaneously developing TORq Interface, Geisinger made sure her contract explicitly stated she owned her IP.

The waters get muddy if you've worked on the idea while employed elsewhere. If you've signed a Confidentiality and Invention Assignment Agreement (CIAA), any work you've done or ideas you've developed as an employee related to the business of your employer are fully owned by your employer. The takeaway: don't develop your idea on company time.

Consider having your employees sign CIAAs, too, so they don't own the ideas they develop while under your employment. Consultants and contractors should sign IP agreements, too. And, don't overlook filing for IP protection—a patent, copyright, trademark, etc.

How to Approach Investors 101

By Angelo Santinelli

But, what do you know about the next step of approaching investors?

You've spent weeks (or months) laying the groundwork for your pitch. You've know the intricacies of your feasibility analysis and whether the proposed product solves a large problem. You've questioned whether there's a growing market. You've explored whether there are barriers to entry. But, what do you know about the next step of approaching investors? Entrepreneurs need to know that taking this step requires a thoughtful plan and approach as well. After all, not all investors are the same. They often seek to invest different amounts or to invest only in certain types of technologies. Their outcome expectations vary a lot, too.

Entrepreneurial Speed Dating

The process of meeting qualified investors resembles the process one might employ on an online dating site. You carefully review each individual's likes, dislikes, and personal traits before initiating contact. The propensity to execute often leads to the employment of the less efficient process of sending an executive summary, or teaser document, to a large list of investors and waiting for a response.

As with dating, your chances of meeting the right person are greatly improved if you get a warm introduction from someone that they know and trust.

Understanding Investor Types

It is important to understand that not all investors are equal. A careful review of an investor's website should easily reveal information about the individual's portfolio of investments, investment stage and size, as well as geographic and industry focus. If you are focusing on an angel group, most angel groups also have websites indicating the target industry segments, as well as stage of investment preferred. The same is true for corporate venture capitalists and institutional venture capitalists. It also is important to use existing networks of entrepreneurs to understand more about the personalities, politics, and processes of various investors.

Investors may differentiate themselves based upon stage or size of investment. For instance, most angels and some venture capital funds will focus primarily on seed and early-stage projects. Their investment size may range from several thousand to several million dollars. Other investors may focus primarily on later-stage investments, where the range of investment might be in the millions or tens of millions of dollars, but some of the startup risk might already have been mitigated and therefore the valuations larger. It is important to understand the stage and typical size of investment before approaching an investor.

Geographic and industry segment focus is yet another way that firms may differ. Seed and early-stage investors will usually have a narrow geographic focus, preferring to invest within a short drive of their office. This is done less for convenience and more to address the hands-on nature of seed and early-stage investments where an investor's network plays a major role in team development. Last, investors may choose to focus somewhat narrowly on specific industry segments, such as software or telecommunications infrastructure. This might be driven by macro forces in the industry or the background and expertise of the investors in a particular firm.

All investors have a reputation and investment process all their own. Speaking with other entrepreneurs who have done business with the investor will reveal important data about the personalities within the firm and the investment process. It is important to understand how investment decisions are made and who influences the decision. It also is important to understand the investment process and where your project is within the process or deal funnel.

Once again, do your own due diligence to thoroughly understand the investors you are considering prior to approaching them. This will save you time and the risk of appearing disorganized in your approach to finding the right partner.

Understanding Investor Needs

It is also important to understand how an investor views risk and return. Seed and early-stage investors accept more risk in a project, and will require a higher return for assuming that risk. This translates into a much higher degree of control most often gained through equity ownership and board representation. Though the expectation for returns is much higher, seed and early-stage investors take a long-term view with regard to the timing of those returns.

Depending upon the amount of risk that remains in the business, later-stage investors might accept a less-than-controlling share of equity, but usually will seek other mechanisms of control and subsequently expect a smaller return, but one that will occur in the not too distant future. Here again, it pays to understand each investor's needs and expectations for ownership, control, as well as, the timing and size of returns before scheduling a meeting.

Prior to meeting with an investor, most require the submission of a pitch deck, executive summary, and financial statements. If you are applying to an angel group, this usually will be submitted online, where members of the angel group will review the documents and rate your submission.

There is the possibility that your application might be desk rejected at this point, if the reviewers believe that the business is too early for funding, or does not fit the strategic focus of the group. In other cases, an application might be desk rejected because it is not appropriate for equity funding, but rather more appropriate for grant funding, debt financing, or family and friends. When you are accepted to attend a pitch meeting, you will need to think about both the content and the communication aspects of the pitch.

Entrepreneurs often believe that they have a great idea, and want to execute quickly. Usually, though, taking a more measured approach—including a thoughtful approach to investors—will boost your odds of success.

Historial Funding Sources and Amounts

For decades little changed with regard to who invested in startups and how much was invested at various stages of the startup lifecycle. However, in recent years driven by new types of investors, the amount of capital invested in financing rounds and valuations have grown to record levels. These nontraditional investors are driving many trends across the startup ecosystem. For example, high investment activity by nontraditional investors in late-stage financing rounds has boosted the median pre-money valuation to $235.5 million, 4.4x the valuation of deals without their involvement. This in turn has also driven exit valuations to all-time highs.

"Both early-stage and late-stage VC valuations saw a sharp expansion across all quartiles in Q2 (2021). At the early stage, the median and average pre-money valuations both notched records in Q2 of $50.0 million and $105.4 million, respectively. Meanwhile, at the late stage, the median and average pre-money valuations in Q2 reached $160.0 million and $882.4 million, respectively, bringing the H1 2021 median and average to a record-high $130.0 million and $914.0 million. Increased economic confidence and a positive outlook for the second half of 2021, coupled with a surplus of capital from record levels of dry powder and an influx of nontraditional and crossover investors, have drastically buoyed VC valuations to new heights." –Pitchbook Q2 2021 US VC Valuations

The increase in investor types and capital invested has made it challenging to define funding sources and amounts. Today, the number of individual angels, angel groups, and venture capitalists have increased in number and size of funds raised. This combined with new investor types such as solo capitalists, family offices, and hedge funds to name a few, who are participating in startup funding has made it more difficult to bracket typical amounts invested at various stages of the startup business cycle.

While the purpose of seed investment has not changed, there is evidence to support that the amounts invested can be in the millions of dollars extending the typical incubation, or seed, period from a year to as many as three years. Those companies that are fortunate enough to make the jump from seed to Series A (Startup or First Round) are often raising tens of millions of dollars—a vastly different amount than indicated in the chart below. In short, there has never been more capital available for seed and startup companies than any time in the past.

Financing Round	Definition	Typical Amounts	Who Typically Plays
Seed	Prove a concept/ qualify for start-up capital	$25,000–$500,000	Individual Angels Angel Groups
Startup	Complete product development and initial marketing	$500,000–$3 million	Select Individual Angels Angel Groups Early-stage Venture Capitalists
First	Initiate full-scale manufacturing and sales	$1.5 million–$5 million	Venture Capitalists
Second	Working capital for initial business expansion	$3 million–$10 million	Venture Capitalists Private Placement Firms
Third	Expansion capital to achieve break-even	$5 million–$30 million	Venture Capitalists Private Placement Firms
Bridge	Financing to allow company to go public in 6–12 months	$3 million–$20 million	Mezzanine Financing Firms Private Placement Firms Investment Bankers

Source: VSS Project Angel Investors: a joint HBS/MIT study on Angel Investors; definitions taken from Pratt's Venture Capital Guide ©1999 MIT Entrepreneurship Center

Business Models vs. Business Plans

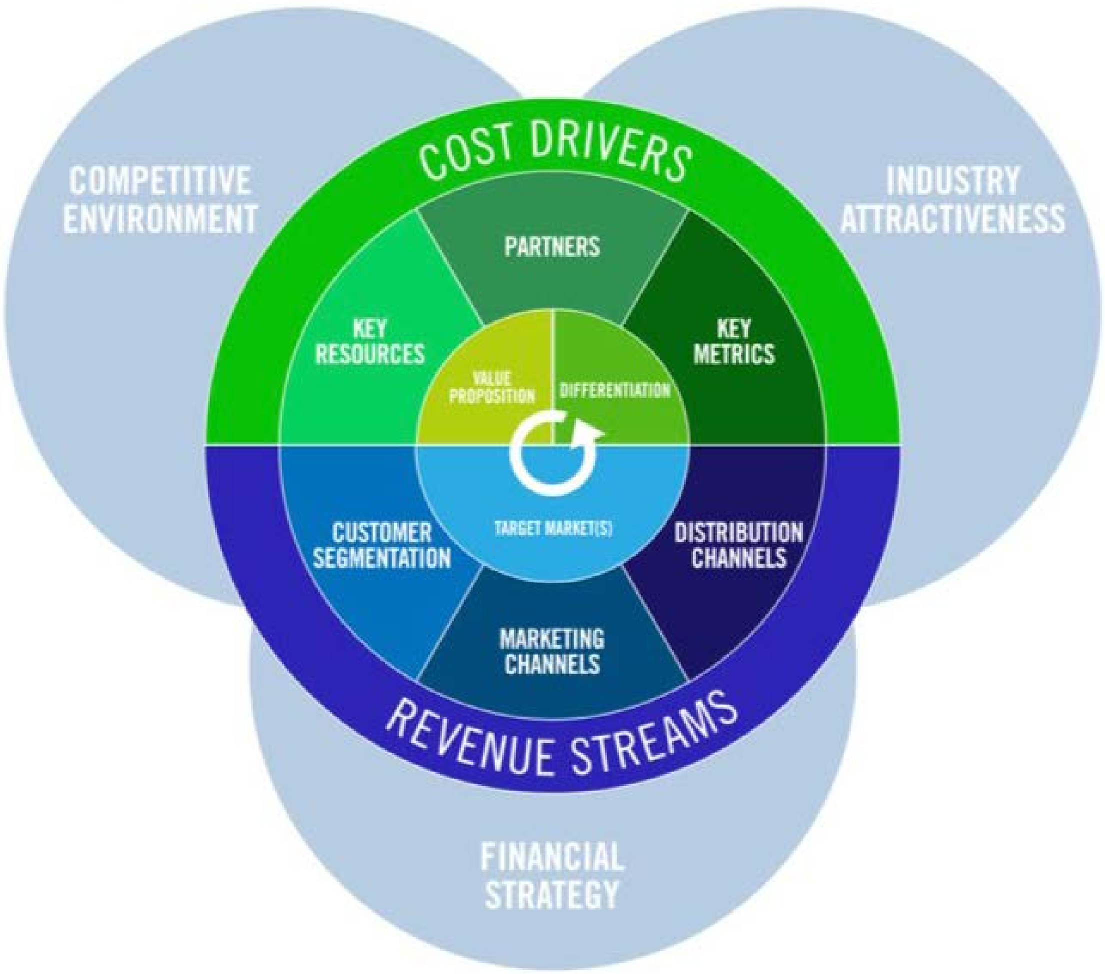
By Angelo Santinelli

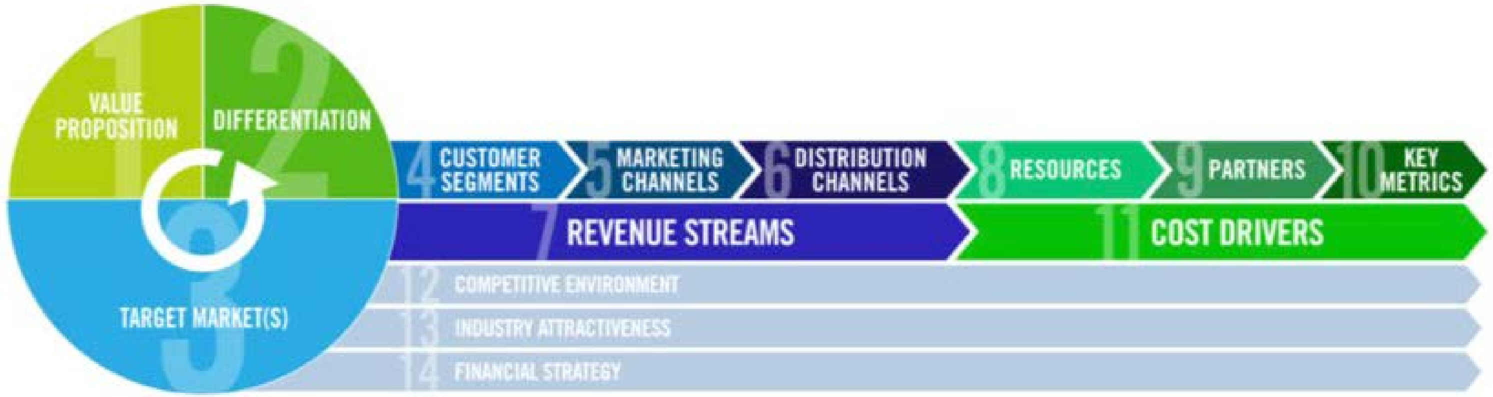
As an investor and educator, I have had the pleasure of meeting many entrepreneurs and reviewing countless business plans. After a while, all of the business plans started to look and sound the same. It was as if someone had published a business plan template that everyone was using. The plans included all the requisite topics—team, market, product, financials—but what seemed to be lacking was primary research and critical thought that usually results in you becoming an expert in the field who is able to defend the many assumptions that go into building something unique and of value.

What became evident to me is that many entrepreneurs write business plans for the sole purpose of raising money, rather than to prove out for themselves that there is a large and growing market with an important need or problem to be addressed.

The business plan or presentation then does not hold up to the scrutiny of investor inquiry because the most important questions and analysis are being put off to some future time after ample cash has been raised. While this approach might work well when money is in abundant supply, it ignores the most important depleting asset of any entrepreneur, time. The desire to execute on an idea sometimes outweighs the importance of discovering precisely what you should be building and for whom. By putting the cart before the horse, you run the risk of building the wrong product for the wrong market and having to "pivot," which is a term that has become synonymous with "we screwed up and will have to spend more time and money to do the right thing."

BABSON BUSINESS MODEL WHEEL





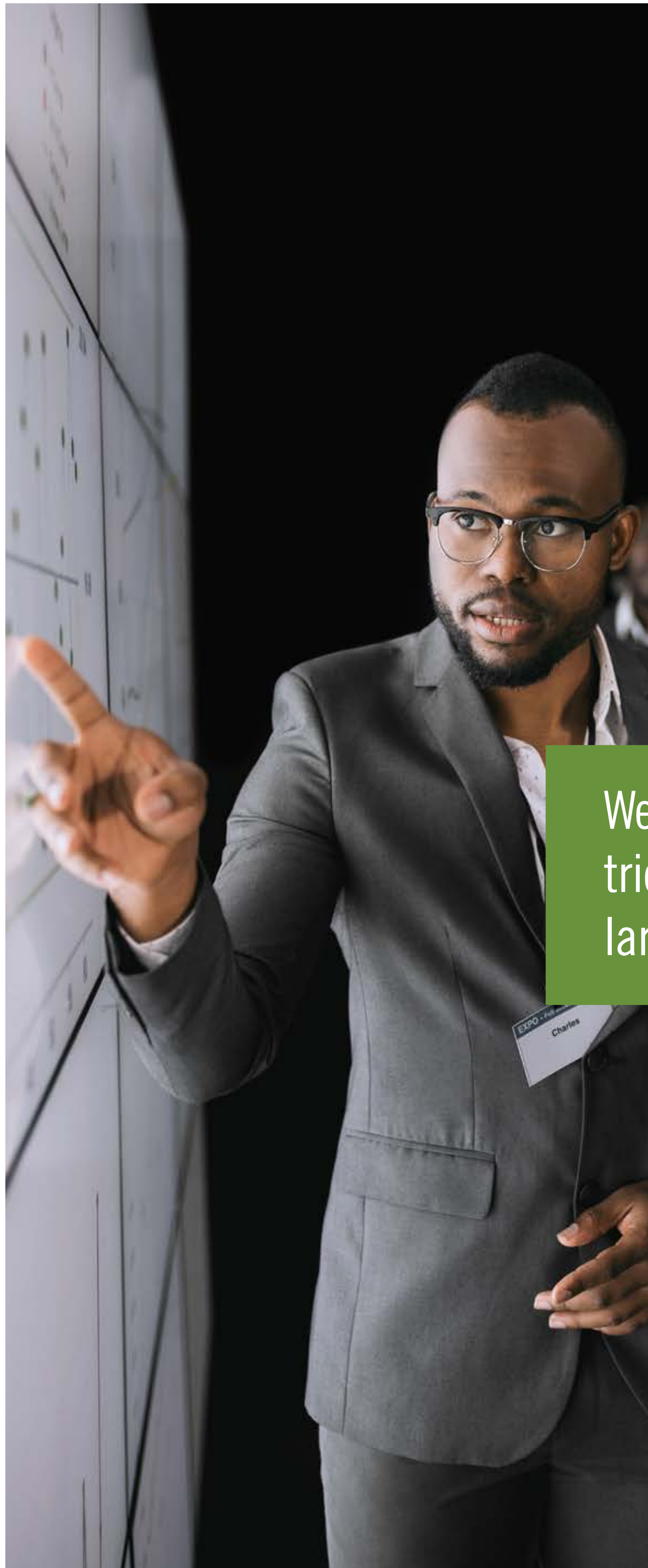
Quite honestly, I have grown to truly dislike business plans primarily because of the way that many people go about developing them. What I prefer, especially in the early stages of ideation, is extensive primary research focused on business model exploration and hypothesis testing. This is what drove me to develop the Babson Business Model Wheel.

The figures to the left represent the critical elements of any business model, how they relate to the competitive and industry context, and help to support a comprehensive financial strategy. There are a series of questions that accompany each element that need to be answered. Think of the Business Model Wheel as an experiment, or multiple experiments, each with a hypothesis that you plan to either prove or disprove. The purpose is to work through answering the most critical questions related to each element, assess their fit, and to try to find a model that is scalable and repeatable. It is an iterative process. This approach allows you to address several potential opportunities simultaneously, constantly iterating to discover what the customer wants and is willing to pay to solve an important problem. Once a working business model is found, it can be translated into an operating plan that the company can execute, while business plans have a tendency to go into a file cabinet.

So, what is the difference between a business plan, a business model and an operating plan? It's all in the approach, timing and use. Business model exploration is an iterative process that should yield incredible knowledge and confidence in your idea. It can then be put into an operating plan that can be shared with the company, executed, and monitored.

Perhaps this seems like a semantic argument, but after watching many entrepreneurs create business plans to raise money and then stick them in a drawer, I'll stand by my belief that the business plan process is broken and not terribly useful in terms of running a business efficiently.

At Babson's Entrepreneurship Bootcamp, we spend several days working through the various elements of the Babson Business Model Wheel and how to answer the most important questions about your idea and the opportunity before you raise capital.



Entrepreneurs Who Scale Their Company Do These Things Exceptionally Well

We all have business ideas. The trick is to turn the idea into a large company. Here's how.

By Peter Cohan

There's little in the working world that's more rewarding than taking your idea and turning into a company that's large enough to change the world. Scaling your startup is immensely rewarding to you as well as your customers, employees, and investors.

While the rewards are obvious, the risks of not scaling successfully are so high that only a small number of entrepreneurs can pull it off. Since 2011, I've interviewed hundreds of entrepreneurs and dozens of venture capitalists to uncover the secrets of these rare people who've turned their ideas into successful companies.

I've learned that such entrepreneurs do two things exceptionally well: they find customer pain that few other companies have even noticed and they delight customers with the products they build to relieve that pain. What's more, their products create so much demand that the founder needs to hire hundreds of people to keep up with it.

CEOs organize people into departments by function and hold them accountable for corporate goals. While such functional specialization boosts efficiency in each department, it could also motivate leaders of each function to gain more resources by taking them from other departments.

Unless CEOs create and manage processes to encourage departments to work together, the disadvantages of specialization can overwhelm the advantages. Simply put, leaders make the best use of their company's talent by first differentiating and then integrating.

And in order to scale their companies, CEOs must achieve corporate goals through four business processes.

1 Adding new customers

Every quarter the CEO sets goals for growth in the number of new customers. To achieve the goals, CEOs must encourage department to take action, as follows:

- » Engineering develops products that make customers want to buy.
- » Marketing generates interest in the company and its products and siphons out all but the most interested prospective purchasers.
- » Sales provides the most interested potential customers with a proof of concept and wins—hopefully many—of these competitive face-offs.

2 Increasing revenue per customer

Companies need to retain almost all their customers and encourage them to buy more. To do this, the CEO must coordinate three departments to do the following:

- » Customer success calls new customers to evaluate how they are using the product—identifying which product functions they find useful, which are not, which don't work right, and which should be added.
- » Engineering incorporates this feedback into new versions of the company's product.
- » Sales contacts customers before their contract expires to encourage them to renew and to purchase the new products that the company built in response to their feedback.

3 Scaling the culture globally

The CEO is unable to make all the business decisions in a global company. Scaling the culture is a way for the CEO to create an environment in which talented people can make those decisions in a way that's consistent with the company's values. To achieve these aims, CEOs must communicate regularly with the company's employees around the world. More specifically, CEOs should:

- » Send weekly corporate emails to share details of the company's operation
- » Require all employees of a global company founded, say, in France to speak English in all business communications
- » Hold quarterly all-hands meetings to celebrate employees who embody the company's values.

4 Hiring and motivating top talent

Rapidly growing companies must retain their best talent and hire new talent to tackle the challenge of sustaining rapid growth. To achieve this critical aim, CEOs must manage a process that anticipates the number of people the company will need to hire in each department based on the company's revenue growth goals.

Each department must work with human resources to identify, interview, and hire excellent candidates to fill these roles. At the same time, departments must assess their people, identify the top performers, and make sure they're motivated and paid enough to keep them happy at the company.

How well a leader manages these four processes can make the difference between startup success and failure.

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