



## Stanford eCorner

### The Value of Company Culture

Mitch Kapor, *Foxmarks*

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Video URL: <http://ecorner.stanford.edu/videos/1914/The-Value-of-Company-Culture>

Former Lotus 1-2-3 founder Mitch Kapor speaks candidly about the most valuable legacy of his wildly successful 1980's technology company: the management of free-thinking creatives. He stands by the quality of his products, but it was his huge investment in human resources, Libertarian management style, and incentives toward great job satisfaction and accountability that he's most proud of. He claims that the thousands of Lotus alumni have helped set the standard for how tech companies are managed on the East Coast and beyond.



#### Transcript

What is the role of company culture in the success of a start-up? I know it's a generic question but what is your personal philosophy about that? I want them to hear that. Well, I think by enlarge pretty much all of the most successful tech companies, by most successful I mean over a long run, all had very strong cultures. I mean Microsoft was a certain kind of place. Hewlett-Packard was a certain kind of place. And everybody knows what it is. There are certain things that are valued. There are certain types of personalities and certain behaviors. These are the stars. This is how we do things. This is opposed to companies who don't particularly have a strong culture.

That's point one. Ok. Point two is I think founders play an enormous role in setting the tone of the company culture. And whether they do it consciously or not. Certainly if they do it consciously even more so. I mean for many years, you would see at Microsoft all of these mid-level managers that were little Bill Gates clones, or trying to be. And I can only imagine that now at Facebook, people are trying to figure out how to be the next Mark Zuckerberg. Lots of the issues. What's that? Lots of the Adida sandals. Yes.

So in my situation and I'll just spend a brief 30 seconds on a little bit of background. I went to MIT. I went to business school. I dropped out. But I'm mostly self-educated in computers. What I did after college, I did grow up in the 60's, I was a disk jockey at a progressive rock radio station. And then I was a meditation teacher. And I got a master's degree in counseling psychology. A very non-traditional kind of background. And stumbled into personal computers.

I was waiting for them to be invented. I've always been very good at math. And fell in love with PC's and they changed my life. And this is so early. Like I got into PC's in '78. It was like three years before the IBM pc even came out. And Lotus became very successful unexpectedly. Just to give you some idea, we got funded on a plan that said we do \$3 million in revenue. In our first year, we did \$53 million. And then we tripled to \$150 million in '84.

And we went public in '83. And we went from zero to 2,000 employees in three years during the time I was the CEO. So we were the hypergrowth company of the '80s. And a number of the thing that apply to the current hypergrowth companies also apply to us. One was we were so successful. There was nobody that tell us we couldn't do stuff. Sounds familiar. That was great. And given my background, I always had a bad attitude as an employee. I had problems with authority.

I gave you a little bit of my background. Here I was the CEO of this company. I said, "I want this to be the kind of place that

even somebody like me would like to work at." And because there was nobody to say we couldn't do that, we built a culture that took people very seriously. And let me just give you one for instance which is like lots of companies have corporate values. Mostly they get ignored or paid lip service to while we value openness and accountability and transparency. What we did at Lotus was, we not only have corporate values but we also measured our performance on them. We did a very rigorous annual survey of all the employees on the quality of work life anonymous and confidential. And we not only measured how things were going but we have management accountability because a part of manager's bonuses was literally tied to how well the people who worked for them evaluated them. Not just talking the talk but walk the walk of corporate values. So we structured the thing in a way that said, "Look, accountability's important, openness is important and we're going to measure it.

And we're going to hold people accountable to it." And that's the way you do anything in business. That's why you develop products. That's why you make your financial numbers. We just basically did it around people issues with the commitment to very progressive values. So we had back in the 80's, we had an employee diversity committee without gays and lesbians. This is like 1983. This is like 10 years before anybody did this. Because I said I want this to be the kind of place that everybody can feel comfortable working at. Everybody has something to contribute. So that's just who I am.

And I was fortunate that Lotus had an opportunity to do this big experiment. And the legacy of Lotus is not so much in product. There was 1-2-3 supplanted by Excel. There was Lotus Notes acquired by IBM in the mid-90's. But there are thousands of Lotus alumni for whom... The East Coast company was in Cambridge. So it's less felt out here. It was the most important employment experience of their life and they carry things forward with them to all the other places they worked about how we did things and how we handled things. That might be what you're most proud of. I am most proud of that.

It's that legacy. I'm very proud of that.