URL: https://ecorner.stanford.edu/clips/operating-to-win/

Claire Hughes Johnson, corporate officer and advisor for Stripe, explains the elements companies need as they scale: founding documents, such as operating values, principles, and long-term goals; operating cadences, such as business review practices and regular meetings; and operating systems. She urges founders to create structures that hold as the company grows.

Transcript

- Let me come back now to the operating structures.. 00:00:05,640 I'm just gonna introduce this.. I'm gonna talk at an abstract level, and then we're gonna show some more gnarly specifics.. But this part of my book actually starts with the foundation.. So I'm just using a house analogy here, which is what I call a founding documents, a set of foundational things that any organization needs at a certain point, probably not when you're tiny, and maybe not even until you start to have some product market fit traction.. But you are going to need to start to not just infuse your values into the company, like, just because you're all hanging out in one room together and you're making decisions together and you're starting to build the culture, but actually start to name them.. What are our operating principles or our company values? And by the way, they should not be aspirational.. Everyone comes out with these lists where you're like, "Well, yes, that would be nice." They have to be relevant, believable, enduring, and deliverable.. So when you write your first set of values or operating principles, and you hand them around your company, people should be nodding and recognize, "Yeah, this is how we are." Think about a really hard decision you had to make.. What principles did you use to make that decision? That's what should be in that document..

And you would need to start to, and I'm talking about maybe your 50 people at this point, maybe even 100, you're starting to write that down because you're gonna start onboarding and bringing people in who can't be in a room altogether.. They need more formal structures to learn.. The other thing I advocate is your long-term goals, which you could call also your strategy, but it's like, why do we exist? There's a mission we have often, a vision.. You know, like Microsoft, I wanna put, a long time ago, a computer on every desk in every home, right? That was a big vision.. But you need a vision, you need a mission, but you also sort of need to state, like, how do we know we're winning over the next five years? So one of Stripe's long-term goals, if you think about it, doesn't surprise you, but will surprise you when you hear me say it, which is advance the state of the art of developer tools, right? Stripe is an API, fundamentally, product company.. And we care the most about developers as our core audience.. And it doesn't feel like, "Well, aren't you a payments or a FinTech or, you know," No, yeah, we build economic infrastructure for the internet, but fundamentally it's about developer tools.. So think about that type of thing.. What's your core long-term goal? And those are some of the things you would wanna put in these founding documents, things that wouldn't necessarily change that often and that you can start to onboard people into so that you have a shared common set of values.. Not just why, not just the vision, the mission, but how we work together..

And then the next thing is your operating system, which is really, I talked about Google's OKRs.. None of this stuff is rocket science.. (chuckles) The hard part is actually putting the things in place that are these repeatable ways of operating so that everyone, like if you think about the chaotic environment of a young company, you need stability points at which everyone can touch down and say, "Oh yes, this every quarter we do this thing." Some of those are communication practices, some of them are things like business review practices.. A lot of them are goals, they're dashboards, they're metrics, they're the fact that you have an all-hands meeting on X cadence and it's sort of sacred, right? Like these are very, like, operational tactical things, but the power of them is that they exist and that you repeat them, and then you make them better.. To the point that Ravi made, you're gonna make them better over time, but people, you know, otherwise are gonna create their own.. And you're trying to create a unified vision for what you're operating toward, right? What are the metrics that matter? And the cadence is what I just described.. When do these things happen? And again, I will actually be the first to tell you, there's no secret formula of these are the right ones and this is the right cadence.. It's more about you as the leader saying, "Which makes the most sense for how I wanna lead, and then I'm gonna honor it," just like you honor your one-on-ones with your direct reports.. So let me get into a gory level of detail.. I am not gonna read this slide, but this is a combination of all of these things that I would advocate you put in place, which are some of the foundational things like mission and long-term goals, a way to plan, a way to establish what teams do and their metrics and all the metrics that matter, a sense of ownership, so how do you build accountabilities mechanisms in, and then how do you communicate progress and goals and vision and priorities? And then under what cadence? And if any of you who've been in a company environment, even a school environment, you know, like the week kind of feels like this, the month kind of feels like this, the quarter feels like that..

That comes from having an operating system, okay? So that's the system.. So I think that what I would say to you, I'm actually gonna skip ahead to this slide, which is when you're building these things, you've probably heard the expression, you know, do the unscalable thing first, and I agree with that.. Do it manually.. Do a very custom version of this thing.. That might be your first hire.. It might be the first time you do a plan for next year.. Like, we're actually gonna set goals for a whole year, which is like very unusual if you're young.. You should wait to do that until you've really been setting goals for at least the next few months.. But you're doing this custom version of this thing, could be your first marketing campaign, your first sales process, the first customer you onboard.. All of these things are gonna be very custom, and you've only ever done it a few times..

Then stop yourself and think, "Hey, wait a minute, are we gonna need to do this a lot?" Like, is this thing gonna have to happen? Like, are we gonna have to hire 100 people to do sales ever?" Yes.. "Are we gonna have to replicate our hiring process?" Potentially thousands of times, yes.. "Are we gonna have to onboard new customers?" Millions of time, you hope so.. Yes.. So you gotta be thinking, I'm at a low-frequency custom place.. How am I gonna get to a high-frequency scaled place? And the answer is you're gonna build some operating systems, and yes, processes, but not defensive processes, not things that feel like bureaucracy, things that create structure.. Think about it as a, say I gave you all a bunch of sporting equipment, all different kinds of equipment.. And we all went out to the quad here, and it was a big green space, and I said, "Play." Some of you might actually try to play and hurt each other, because there's no rules, like where's the boundaries? How do you score? What is a foul? (chuckles) You know, and so all I'm advocating is creating a set of constraints that honor, by the way, your business model, your product, your strategy, and then living within those constraints.. And then the ones that really, the things that have to be repeatable and really good over and over again have to come to that scaled high-frequency place, which means, by the way, investing in systems, tools, training, and development.. Yes..

But what is real scale? You know what it is? It's not individual heroics.. It is that you can repeatedly win, and you can repeatedly win with different teams.. Like, that's when I know I've done my job is, like, I could walk out of this room and they would just keep going without me because they can do it 'cause they have the system, right? That is really what I'm advocating for...