

PART ONE



Under-  
achievement



# BACKSTORY

DecisionTech was located in Half Moon Bay, a foggy, coastal farming town just over the hills from the San Francisco Bay. It was not technically part of the Silicon Valley, but the Valley is not so much a geographical entity as a cultural one. And DecisionTech certainly fit within that world.

It had the most experienced—and expensive—executive team imaginable, a seemingly indestructible business plan, and more top-tier investors than any young company could hope for. Even the most cautious venture firms were lining up to invest, and talented engineers were submitting their resumés before the company had leased an office.

But that was almost two years earlier, which is a lifetime for a technology start-up. After its first few euphoric months of existence, the company began experiencing a series of ongoing disappointments. Critical deadlines started to slip. A few key employees below the executive level unexpectedly left the company. Morale deteriorated

gradually. All of this in spite of the considerable advantages that DecisionTech had amassed for itself.

On the two-year anniversary of the firm's founding, the board unanimously agreed to "ask" Jeff Shanley, the company's thirty-seven-year-old CEO and cofounder, to step down. He was offered the job of heading business development, and to the surprise of his colleagues, he accepted the demotion, not wanting to walk away from a potentially huge payout should the company eventually go public. And even in the difficult economic climate of the Valley, the company had every reason to go public.

None of DecisionTech's 150 employees were shocked by Jeff's removal. While most of them seemed to like him well enough personally, they couldn't deny that under his leadership the atmosphere within the company had become increasingly troubling. Backstabbing among the executives had become an art. There was no sense of unity or camaraderie on the team, which translated into a muted level of commitment. Everything seemed to take too long to get done, and even then it never felt right.

Some boards might have been more patient with a stumbling executive team. DecisionTech's was not. There was just too much at stake—and too high a profile—to watch the company waste away because of politics. DecisionTech had already developed a reputation within the Valley for being one of the most political and unpleasant places to work, and the board couldn't tolerate that kind

of press, especially when the future had looked so promising just a couple of years earlier.

Someone had to be accountable for the mess, and Jeff was the man at the top. Everyone seemed relieved when the board announced the decision to remove him.

Until three weeks later, when Kathryn was hired.

# KATHRYN

**T**he executives couldn't agree on which of Kathryn's features presented the biggest problem. There were so many. First, she was old. Ancient, at least by Silicon Valley standards. Kathryn was fifty-seven.

More important, she had no real high-tech experience other than serving as a board member of Trinity Systems, a large technology company in San Francisco. Most of her career had been spent in operational roles with decidedly low-tech companies, the most notable of which was an automobile manufacturer.

But more than her age or experience, Kathryn just didn't seem to fit the DecisionTech culture.

She had started her career in the military, then married a teacher and basketball coach at a local high school. After raising three boys, she taught seventh grade for a few years until she discovered her affinity for business.

At the age of thirty-seven, Kathryn enrolled in a three-year business school night program, which she completed a semester early at Cal State Hayward, which was not ex-

actly Harvard or Stanford. She then spent the next fifteen years in and around manufacturing, until her retirement at the age of fifty-four.

The fact that Kathryn was a woman was never an issue for the executive team; two of them were women themselves. With much of their collective experience coming from the somewhat progressive world of high tech, most had worked for women at some time during their careers. But even if her gender had been a problem for anyone on the team, it would have been dwarfed by her glaring cultural mismatch.

There was just no mistaking the fact that, on paper, Kathryn was an old school, blue-collarish executive. That presented a stark contrast to the DecisionTech executives and middle managers, most of whom had little experience working outside of the Valley. Some of them even liked to brag that they hadn't worn a suit—outside of a wedding—since graduating from college.

It was no surprise that after first reading her resumé, board members questioned the Chairman's sanity when he suggested they hire Kathryn. But he eventually wore them down.

For one, the board believed their Chairman when he flat out assured them that Kathryn would succeed. Second, he had been known to have extremely good instincts about people, notwithstanding the problem with Jeff. He certainly wouldn't make two mistakes in a row, they reasoned.

But perhaps most important of all (though no one would

admit it), DecisionTech was in a desperate situation. The Chairman insisted that there weren't too many capable executives willing to take on such a messy job given the current state of affairs at the scarred company. "We should consider ourselves lucky to have such a capable leader as Kathryn available," he successfully argued.

Whether or not that was true, the Chairman was determined to hire someone he knew and could trust. When he called Kathryn to tell her about the job, he certainly could not have known that he would be regretting the decision just a few weeks later.



# RATIONALE

No one was more surprised about the offer than Kathryn. Although she had known the Chairman for many years on a personal level (Kathryn had actually first met him when her husband coached his oldest son in high school), she could not have imagined that he thought so highly of her as an executive.

Most of their relationship had been social, centering around family, school, and local athletics. Kathryn assumed that the Chairman had little idea about her life outside her role as a mother and coach's wife.

In fact, the Chairman had followed Kathryn's career with interest over the years, amazed at how successful she had become with such relatively modest training. In less than five years, she had become chief operating officer of the Bay Area's only automobile manufacturing plant, a U.S.-Japanese joint venture. She held that job for the better part of a decade and made the plant one of the most successful cooperative enterprises in the country. And while the

Chairman knew little about the car industry, he knew one thing about Kathryn that convinced him she was perfect to fix the problems at DecisionTech.

She had an amazing gift for building teams.

# GRUMBLINGS

If the executives at DecisionTech had any doubts about Kathryn when her hiring was first announced—and they did—they were even more concerned after their new leader's first two weeks on the job.

It wasn't that Kathryn did anything controversial or misplaced. It was that she did almost nothing at all.

Aside from a brief reception on her first day and subsequent interviews with each of her direct reports, Kathryn spent almost all of her time walking the halls, chatting with staff members, and silently observing as many meetings as she could find time to attend. And perhaps most controversial of all, she actually asked Jeff Shanley to continue leading the weekly executive staff meetings, where she just listened and took notes.

The only real action that Kathryn took during those first weeks was to announce a series of two-day executive retreats in the Napa Valley to be held over the course of the next few months. As though she needed to give them any

more ammunition, none of her reports could believe she had the gall to take them out of the office for so many days when there was so much real work to be done.

And to make matters worse, when someone suggested a specific topic for discussion during the first retreat, Kathryn refused. She had her own agenda already set.

Even the Chairman was surprised, and a bit unnerved, about the reports of Kathryn's early performance. He came to the conclusion that if she didn't work out, he should probably leave along with her. That was beginning to feel like the most probable outcome.

# OBSERVATIONS

After her first two weeks observing the problems at DecisionTech, Kathryn had more than a few moments when she wondered if she should have taken the job. But she knew that there was little chance that she would have turned it down. Retirement had made her antsy, and nothing excited her more than a challenge.

While there was no doubt that DecisionTech would be a challenge, something seemed different about this one. Though she had never really feared failure, Kathryn could not deny that the prospect of letting the Chairman down spooked her a little. To tarnish her reputation so late in her career, and among friends and family, was enough to worry even the most secure of people. And Kathryn was certainly secure with herself.

After surviving a stint in the military, raising her boys, watching countless buzzer-beating basketball games, and standing up to union bosses, Kathryn decided she was not about to be intimidated by a bunch of harmless yuppies

whose greatest hardships in life so far had been fighting off the first signs of a receding hairline or an expanding waistline. She believed that as long as the board would give her enough time and leeway, she would be able to turn DecisionTech around.

And Kathryn's lack of in-depth software experience did not concern her. In fact, she felt certain that it provided her with an advantage. Most of her staff seemed almost paralyzed by their own knowledge of technology, as though they themselves would have to do the programming and product design to make the company fly.

Kathryn knew that Jack Welch didn't have to be an expert on toaster manufacturing to make General Electric a success and that Herb Kelleher didn't have to spend a lifetime flying airplanes to build Southwest Airlines. Despite what her limited technical background might have indicated, Kathryn felt that her understanding of enterprise software and technology was more than sufficient for her to lead DecisionTech out of the mess it was in.

What she could not have known when she accepted the job, however, was just how dysfunctional her executive team was, and how they would challenge her in ways that no one before had ever done.

# THE STAFF

**E**mloyees referred to the DecisionTech executives as The Staff. No one referred to them as a team, which Kathryn decided was no accident.

In spite of their undeniable intelligence and impressive educational backgrounds, The Staff's behavior during meetings was worse than anything she had seen in the automotive world. Though open hostility was never really apparent and no one ever seemed to argue, an underlying tension was undeniable. As a result, decisions never seemed to get made; discussions were slow and uninteresting, with few real exchanges; and everyone seemed to be desperately waiting for each meeting to end.

And yet, as bad as the team was, they all seemed like well-intentioned and reasonable people when considered individually. With just a few exceptions.

## **JEFF—FORMER CEO, BUSINESS DEVELOPMENT**

Essentially a generalist who loved networking within the Valley, Jeff Shanley had raised a considerable amount of the

company's initial money and attracted many of the current executives. No one could deny his prowess when it came to venture capital or recruiting. But management was another story.

Jeff ran staff meetings as though he were a student body president reading from a textbook on protocol. He always published an agenda before each meeting, and then distributed detailed minutes afterward. And unlike most other high-tech companies, his meetings usually began on time and always concluded exactly when they were scheduled to end. The fact that nothing ever seemed to get done during those meetings didn't appear to bother him.

In spite of his demotion, Jeff maintained his seat on the board of directors. Kathryn initially suspected that he might resent her for taking his job, but she soon came to the conclusion that Jeff was relieved to be, well, relieved of his management responsibilities. Kathryn had little concern about his presence on the board, or on her management team. She suspected that his heart was in the right place.

## **MIKEY—MARKETING**

Marketing would be a critical function at DecisionTech, and the board had been ecstatic to get someone as sought after as Michele Bebe. Mikey, as she liked to be called, was well known throughout the Valley as a brand-building genius. Which made it all the more astonishing that she lacked a few key social graces.



During meetings, she talked more than the others, occasionally coming up with a brilliant idea, but more often complaining about how the other companies she had worked for did everything better than DecisionTech. It was almost as though she were a spectator or, better yet, a victim of circumstance, at her new company. Though she never argued outright with any of her peers, she was known to roll her eyes in apparent disgust when one of them disagreed with anything she had to say about marketing. Kathryn decided that Mikey was unaware of how she came across to others. No one would purposefully act that way, she reasoned.

So in spite of her talent and accomplishments, it was no surprise to Kathryn that Mikey was the least popular among the rest of the staff. With the possible exception of Martin.

### **MARTIN—CHIEF TECHNOLOGIST**

A founder of the company, Martin Gilmore was the closest thing that DecisionTech had to an inventor. He had designed the original specs for the company's flagship product, and although others had done much of the actual product development, the executives often said that Martin was the keeper of the crown jewels. That analogy was due at least in part to the fact that Martin was British.

Martin considered himself to know as much about technology as anyone else in the Valley, which was probably true. With advanced degrees from Berkeley and Cambridge, and a track record of success as a chief architect at

two other technology companies, he was seen as Decision-Tech's key competitive advantage, at least when it came to human capital.

Unlike Mikey, Martin didn't disrupt staff meetings. In fact, he rarely participated. It wasn't that he refused to attend those meetings (even Jeff wouldn't allow such a blatant act of revolt); it was just that he always had his laptop open, and he seemed to be constantly checking e-mail or doing something similarly engrossing. Only when someone made a factually incorrect statement could Martin be counted on to offer a comment, and usually a sarcastic one at that.

At first, this was tolerable, maybe even amusing, to Martin's peers, who seemed in awe of his intellect. But it began to wear on the staff over time. And with the company's recent struggles, it had become an increasingly grating source of frustration for many of them.

## **JR—SALES**

In order to avoid confusing him with Jeff Shanley, everyone called the head of sales JR. His real name was Jeff Rawlins, but he seemed to enjoy the new moniker. JR was an experienced salesperson and a little older than the others—mid-forties. He was usually tan, never rude, and always agreed to do whatever the staff asked of him.

Unfortunately, JR rarely followed through. In those cases when he came clean and acknowledged having made a

commitment that went unfulfilled, he apologized profusely to whomever he had let down.

In spite of what the staff called JR's flakiness, he was able to maintain a measure of respect from his peers because of his track record. Before coming to DecisionTech, he had never missed a quarterly revenue number in his entire career in sales.

### **CARLOS—CUSTOMER SUPPORT**

Though DecisionTech had relatively few customers, the board felt strongly that the company would need to invest early in customer service in order to prepare for growth. Carlos Amador had worked with Mikey at two previous companies, and she introduced him to the firm. Which was ironic because the two of them couldn't have been more different.

Carlos spoke very little, but whenever he did, he had something important and constructive to say. He listened intently during meetings, worked long hours with no complaint, and downplayed his prior accomplishments whenever someone asked about them. If there was a low-maintenance member of the staff, and a trustworthy one, it was Carlos.

Kathryn was thankful not to have to worry about at least one of her new direct reports, although she was somewhat troubled that his specific role had not yet fully developed. The fact that he willingly took on responsibility for product

quality and any other unattractive duties that fell through the gaps allowed her to focus on more pressing concerns.

### **JAN—CHIEF FINANCIAL OFFICER**

The role of the chief financial officer had been a critical one at DecisionTech and would continue to be as long as the company intended to go public. Jan Mersino knew what she was getting into when she joined the company, and she had played a key role supporting Jeff as he raised impressive amounts of money from venture capitalists and other investors.

Jan was a stickler for detail, took pride in her knowledge of the industry, and treated the company's money as though it were her own. While the board had given Jeff and the staff virtual free rein when it came to expenditures, they did so only because they knew that Jan would not let things get out of control.

### **NICK—CHIEF OPERATING OFFICER**

The final member of the executive staff was the most impressive on paper. Nick Farrell had been vice president of field operations for a large computer manufacturer in the Midwest, and had moved his family to California to take the DecisionTech job. Unfortunately for him, he had the most ill-defined role of anyone on the team.

Nick was officially the chief operating officer of the company, but that was only because he had demanded the COO title as a condition of accepting the job. Jeff

and the board gave it to him because they believed he would earn it within the year anyway if he performed according to his billing. More importantly, they had become addicted to hiring star executives, and losing Nick would have hurt their winning percentage.

Of all the members of the executive staff, Nick had been most directly impacted by the company's sputtering start. Given Jeff's limitations as a manager, Nick had been hired to spearhead DecisionTech's growth, which included building an operational infrastructure, opening new offices around the world, and leading the firm's acquisition and integration efforts. Most of his responsibilities were currently on hold, giving Nick little meaningful day-to-day work.

As frustrated as he was, Nick didn't complain openly. To the contrary, he worked hard to build relationships, though sometimes shallow ones, with each of his colleagues, whom he had quietly deemed to be inferior to him. And though he certainly never said so to any of his peers, Nick felt he was the only executive in the company qualified to be CEO. But that would become obvious soon enough.

