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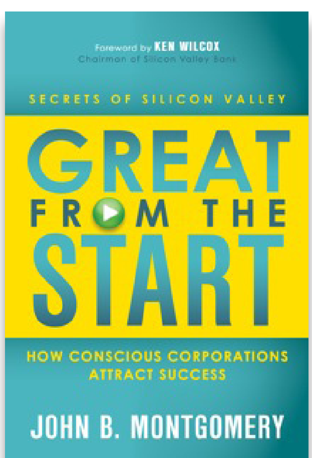
The Law of Success

An excerpt from:

Great From the Start: How Conscious Corporations Attract Success

Chapter 7

WORKING WITH A MENTOR



STARTWORKS™

The corporation is the innovation

Chapter 7

WORKING WITH A MENTOR

Get real. Teach us. Mentor us.

—Christiana Wyly, venture partner, Satori Capital

If you are serious about increasing your probability of success, engaging a mentor is one of the best moves you can make. Starting a company without experienced guidance is asking for trouble, and acquiring your leadership skills by trial and error can be fatal to the company. Who is your mentor? If you don't yet have an experienced mentor, you should engage one as soon as possible.

A clear vision and a well-crafted business plan are essential to attracting an experienced mentor. The best test of the founder's leadership ability and the power of his vision is whether he can attract an experienced executive as a mentor. An enthusiastic mentor will share his excitement with his network and attract other resources necessary for success.

The right mentor often effortlessly directs additional talent to join the company. Solaicx, a pioneer in advanced equipment to manufacture solar wafers, attracted Robert Medearis, the founder of Silicon Valley Bank, as the chairman of the board and the mentor to CEO Bob Ford. Medearis joined the board soon after incorporation and attracted Bill Yerkes, considered by many to be the father of commercial photovoltaics, as chief technology officer (CTO). Yerkes's stellar reputation enabled Solaicx to recruit a team of top engineers, which attracted venture capital investors. Medearis's experience as founder of Silicon

Valley Bank and the CEO of several companies empowered him to guide Bob Ford and manage the board. Medearis's presence as the mentor attracted the resources needed to build Solaicx into the company that MEMC Corporation acquired in May 2010 for approximately $103 million.

Qualities of an Ideal Mentor

For the founder of a startup, the ideal mentor has been the founder and the CEO of a successful business. An executive who has been in the CEO's hot seat with ultimate responsibility for meeting payroll every month knows what it takes to build and run a business. A mentor who has managed a successful business has the experience to guide his mentee to promote success and avoid failure.

The ideal mentor has nothing left to prove. His business achievements have provided him with sufficient material wealth and ego gratification that he is free from worry about survival and social status. His successes have brought a confidence that enables him to guide from the heart, not lead by the sword.

Gordon Campbell acquired deep inner confidence from building two public companies—Seeq Technology and Chips and Technologies—and inventing the fabless semiconductor industry. With nothing to prove, Campbell mentored the CEOs of Techfarm's portfolio companies from a place beyond ego. Campbell loved mentoring executives to help them develop their talents. His CEOs felt safe and supported because he made it clear that he was an ally who wanted to empower them to succeed and not a rival for their positions.

As a successful founder, Campbell knew exactly what skills are required to run a company. He knew from personal experience that first-time CEOs have the potential to become great leaders but rarely have the skills to build a successful company much less run one. Campbell built on his entrepreneurs' limited prior management experience to teach them how to build and manage their companies.

The ideal mentor shows the founding CEO the skills he needs to acquire and coaches him to cultivate his leadership abilities. Campbell pushed the executives in Techfarm's portfolio companies especially hard. As an active executive chairman of most Techfarm companies, he empowered the CEOs to lead but was not afraid to give forceful guidance.

Steve DeWitt wanted Cobalt Networks to spend more on marketing to drive revenue growth rather than become a profitable company. Contrary to what was in vogue during the Internet mania, Campbell insisted that Cobalt's financial plan included a path to profitability. DeWitt adjusted the budget so that it increased the marketing spend, but he also worked toward the goal of becoming a profitable business. As a result, when Cobalt went public it stood out as a business of substance among a crowd of Internet companies built on hype and weak financial statements.

Campbell manifested many qualities of the ideal mentor. His advice was authentic because it rang with the truth of his experience. He was fearless in speaking his truth and willing to accept the consequences, which could include losing a relationship. When 3Dfx Interactive, which was then the leading graphics semiconductor company, wanted to extend its business by buying a circuit board assembly company, Campbell was not afraid to tell the CEO and the board that they were making the mistake that ultimately destroyed the company.

Campbell had no ego-driven need to control his CEOs. His advice was authoritative but not authoritarian. He helped them avoid disasters and empowered them to succeed. He believed in his protégés and was generous with his time and advice. This belief and generosity of spirit instilled his mentees with confidence. Campbell's candor in pointing out his executives' weaknesses as opportunities for improvement prevented their confidence from developing into hubris.

To teach his executives in the trenches, Campbell often let them continue a course of action right to the brink of disaster. He and his partner Kurt Keilhacker repeatedly assured NetMind that Techfarm would provide the second round of funding. NetMind had trouble landing customers and was running low on money. With only a few weeks of operating cash remaining, Campbell and Keilhacker told Matt Freivald, NetMind's CEO and founder, that Techfarm would not fund the company unless it acquired more customers.

With the company's survival at stake, NetMind's executive team increased its sales efforts and won a 10,000-seat order for its software from Boeing. NetMind validated its business model with a big order from a Fortune 100 company and won its Series B financing. The founders learned that sales were necessary to show investors that they had a good business.

Finding a Mentor

Finding an experienced mentor like Gordon Campbell is difficult and requires patience, perseverance, and luck. It is even more difficult to get one actively involved in a startup company.

The best way to find a mentor is to articulate the profile of the ideal mentor and identify possible candidates. It often takes months of networking to find the right person. After an entrepreneur has found a mentor, it is smart to formalize the role with a position on the board of directors or advisory board or as a consultant. It is best to set up a formal meeting schedule and work with the mentor to devise a professional development plan. Issuing a stock option grant appropriate to the mentor's experience and expected contribution can help inspire his full engagement.

Some venture capital funds have general partners who have built and run successful companies and can provide experienced mentorship to founding CEOs. Because most venture capital funds have relatively few general partners like Gordon Campbell who have built and run successful companies, an entrepreneur should find himself a mentor *before* he raises venture capital. It will be an added bonus if his venture capital firm can assign a general partner who has built a successful company as a founding CEO to help mentor him.

Establishing a Foundation of Trust

The ideal mentor is motivated by love of mentoring, not money. Gordon Campbell loved being a mentor to the founders of Techfarm's portfolio companies. Campbell understood that people perform optimally in environments where they are supported and trusted. He demanded the best of his mentees but in a supportive way. He created safe environments in which his protégés could be vulnerable. They felt safe sharing their insecurities about building their companies. Campbell based his approach to mentorship on trust. As a result, the executives often emulated his approach in mentoring their employees. This created a foundation of trust that helped animate the extraordinary cultures enjoyed by Cobalt, 3Dfx, and NetMind.

Campbell's mentorship extended to the founding team of each company. He encouraged each executive team to take risks and collaborate creatively. His mentorship emboldened the founding team and laid the foundation for a trust-based culture.

Campbell generously connected his mentees to his vast network of trust-based relationships. These connections enabled the founding executives to rapidly grow their companies with the extraordinary people who had helped Campbell successfully build two public companies. Connecting his protégés to his network accelerated the attraction of the right resources.

Qualities of an Ideal Mentee

Campbell's confidence inspired the founding teams of his most successful startup companies to consistently surround themselves with people who were wiser and more experienced than they were. These teams weren't afraid to admit that they didn't know it all. Because they could admit their weaknesses and were not threatened by wiser and more experienced people, the founders of these companies repeatedly attracted great people who contributed to their companies' successes. Cobalt, 3Dfx, and NetMind succeeded largely because they consistently attracted the best people.

Experienced venture capitalists recognize when the founder's leadership skills are not yet up to the task of building a company. As a result, some offer term sheets for financing that are contingent on replacing the founder with an experienced CEO. Such venture capitalists are not malicious; they've just invested in too many failed companies led by first-time CEOs and want to prevent another losing investment caused by an inexperienced founder.

An entrepreneur often misperceives a venture capitalist's concern over his leadership skills as a veiled desire to take over. Despite this common fear, the last thing a venture capitalist wants to do is run a company. Venture capitalists like to invest in great leaders who can build successful companies that will provide their funds' limited partners with a return that exceeds the S&P 500.

Venture capitalists are efficiency experts. Their ideal investment is in a company that is so well run that all they have to do is participate in board meetings and write a glowing summary of the company in their funds' annual reports. Venture capitalists like to work smarter, not harder. Running an entrepreneur's company is not on their agenda. Entrepreneurs can enable venture capitalists to work smarter by securing effective mentorships.

Many startup companies fail because nobody tells the founder that he needs to become a great leader to remain as the CEO. To build a billion-dollar company, the founder must develop new skills to handle billion-dollar problems. Every founder must be realistic about how difficult it is to remain the leader through all the stages of a company's growth. Bill Gates of Microsoft and Steve Jobs of Apple managed to do it, but it is a rare feat; these men are exceptional leaders and businessmen. An experienced mentor challenges the founder to continue to develop his leadership skills.

Great entrepreneurs recognize that their success depends on acquiring a new set of leadership skills. To remain the leader, an entrepreneur must be as committed to developing and refining his leadership skills as a professional golfer is about improving his game. If the leader doesn't make a commitment to constant personal and professional growth, the board will likely replace him as soon as the company outgrows his existing skills. If the founder can't make this commitment, he shouldn't expect to run his company for long.

Gordon Campbell demanded an unwavering commitment to personal and professional growth from the executives of Techfarm's portfolio companies. To prepare for its IPO, Cobalt Networks hired veteran presentation coach Jerry Weissman to refine the public-speaking skills of Cobalt president Steve DeWitt and CFO Ken Chow. DeWitt and Chow created a dynamic IPO road show presentation that balanced DeWitt as the energetic visionary with Chow as the conservative and grounded CFO. Campbell also encouraged them to have fun. On the road show, DeWitt and Chow challenged each other by seeing how often they could describe Cobalt's products with phrases such as "hunk of burning love."

Mentor as Tormentor: Jim Hogan

"An entrepreneur doesn't need a yes man," says Jim Hogan, partner at Vista Ventures, "but requires someone who can fearlessly provide a seasoned second opinion. It's best not to play safe by selecting a peer or friend for a mentor."

Hogan worked for two companies, Symantec and Cadence Design Systems, that achieved billion-dollar valuations like Cobalt. Says Hogan:

> *When I was 36 years old, Symantec assigned a 55-year-old executive to help me manage my job. He wasn't a mentor. He was a tormentor. He was a great mentor because he took great pleasure in lovingly pushing me hard beyond my comfort zone.*
>
> *Now, I push all the executives in my portfolio companies in the same way. I got involved in an Internet advertising company, Blue Lithium, where two brilliant guys in their midtwenties were the growth engine. They understood the market and created a new business model, but they needed experienced guidance. The founders made some classic mistakes before they brought in some gray-haired guys like me to mentor the executive staff. Blue Lithium spent $5 million per year on litigation that would have been simple to avoid if the company had had an experienced mentor to guide them from the start.*

Blue Lithium eventually found the right balance of seasoned talent and creativity to fuel its growth. "The company went from zero to about $100 million in revenue in two years, with 60 percent gross margins," says Hogan. "That combination allowed a huge exit."

Knowing Who Is Top Dog: Chris Gill

"Almost all of the startup teams we back are first-time teams led by first-time entrepreneurs," says Chris Gill, CEO of SVForum, "but the key is to find an independent director who can mentor the CEO and help him be top dog. To remain in the job, the CEO *must* be top dog. If the CEO isn't ready, he should get an independent director to be board chair. Otherwise one of the venture capitalists will become top dog. If that happens, the CEO and the company are in big trouble."

Creating a Mentoring Culture

Your workforce expects your values and culture to self-actualize them and take them on a life path.

—Robb Smith, president, Integral Institute

Having a mentor models a commitment to personal growth that can have an enormously positive effect on corporate culture. A founder with a mentor demonstrates that it is safe for a person to be a work in progress. His example encourages the rest of the team to commit themselves to personal and professional development. A corporate culture that celebrates self-improvement has a competitive edge. A habit of making things better becomes an infectious attitude that can bring unexpected improvement to other aspects of the business.

Providing mentors for all members of the executive team fosters a culture of continuous improvement. A company's informal advisory board is a great place to engage mentors for the executives. For example, the chief technology officer could be paired with a more experienced CTO mentor serving on the advisory board. Executives serious about professional development often engage an executive coach or join an executive development organization, such as the Alliance of Chief Executives, to help them develop their skills and realize their potential.

Mentorship has many facets, but it requires a willing and receptive mentee to be effective. The relationship works best when based on trust and conducted with absolute candor. Mentorship can be one-to-one or one-to-many. Gordon Campbell, for example, often convened the executives of Techfarm's portfolio companies to group events where he could mentor them all simultaneously. Campbell also experimented with peer-to-peer and collective mentoring at the annual retreat at his ranch, where the gathered executives from Techfarm's portfolio companies helped solve problems facing one another's businesses.

A great leader aspires to create a mentoring culture that is dedicated to continuous improvement on both an individual and a collective level. He models mentoring in his relationships with his management team and inspires them to mentor those under their authority. The ultimate in mentoring is a co-mentoring culture where everyone is committed to helping everyone else develop and improve their skills. A great leader finds a mentor who can help him activate such a mentoring culture.

Every founder should think big, aim high, and get an experienced mentor like Gordon Campbell involved with his company. Ideally, a founding CEO would have two mentors: one to serve as chairman of the board and one to coach him privately as a trusted confidante. If the CEO can find only one mentor with experience comparable to Gordon Campbell's, he should have him serve as chairman to lead in the boardroom and seek other advisers to mentor him privately.

Repeat founding CEOs can also greatly benefit from having a mentor. With a mentor whose execution wisdom was acquired from having built successful businesses, a founding CEO is more likely to succeed. An entrepreneur should keep looking for an experienced mentor until he finds one. His success depends on it.

Summary

- Every entrepreneur needs an experienced mentor.
- An experienced mentor can attract experienced talent that accelerates success.
- The ideal mentor is beyond ego and has nothing to prove.
- The ideal mentor has built and run a successful company.
- The ideal mentor-protégé relationship is based on trust.
- The ideal mentor holds the founding CEO accountable and pushes him out of his comfort zone.

Call to Action

Find a mentor.