Hire great people and get out of the way.

Paul Graham

Founder Mode

As Airbnb grew, well-meaning people advised him that he had to run the company in a certain way for it to scale. Their advice could be optimistically summarized as "hire good people and give them room to do their jobs." He followed this advice and **the results were disastrous.**

The audience at this event included a lot of the most successful founders we've funded, and one after another said that the same thing had happened to them. They'd been given the same advice about how to run their companies as they grew, but instead of helping their companies, **it had damaged them**.

Usually when everyone around you disagrees with you, your default assumption should be that you're mistaken. But this is one of the rare exceptions. VCs who haven't been founders themselves don't know how founders should run companies, and **C-level execs, as a class, include some of the most skillful liars in the world.**

As Airbnb grew, well-meaning people advised him that he had to run the company in a certain way for it to scale. Their advice could be optimistically summarized as "hire ... advice and **the ...**

The ... ers we've func... o them. They... s they grew, but ...

Usu... sumption shou... Cs who haven't been founders themselves don't know how founders should run companies, and **C-level execs, as a class, include some of the most skillful liars in the world.**
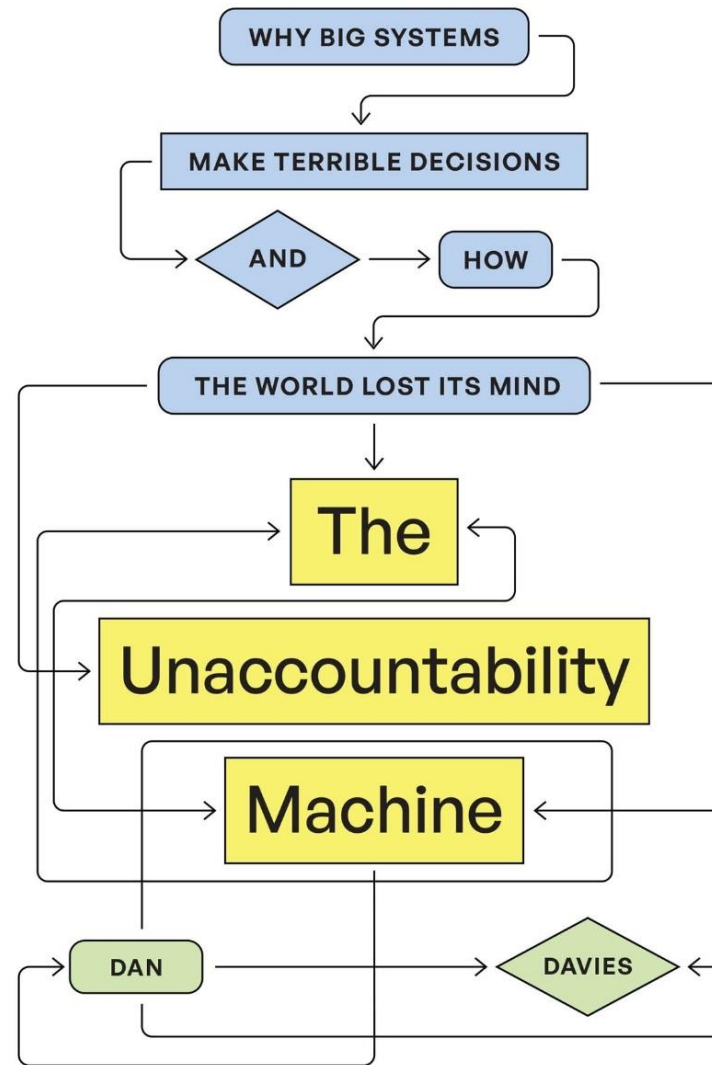
His Solutions?

01	Skip-Level Meetings
02	Be Steve Jobs

Cybernetics and Management

What is cybernetics?

Cybernetics is the study of control systems as it applies to machines and living organisms.

Today's Session

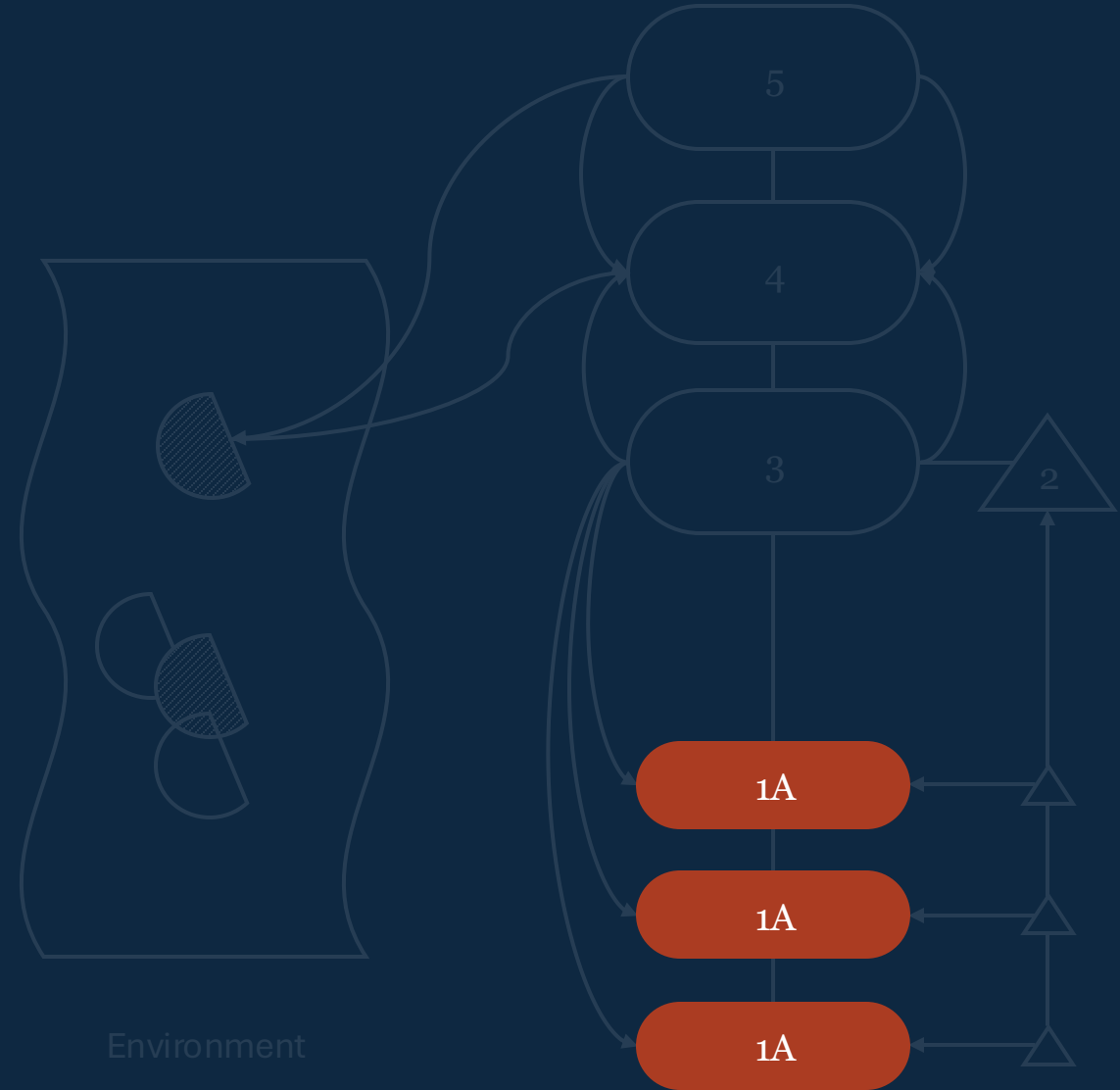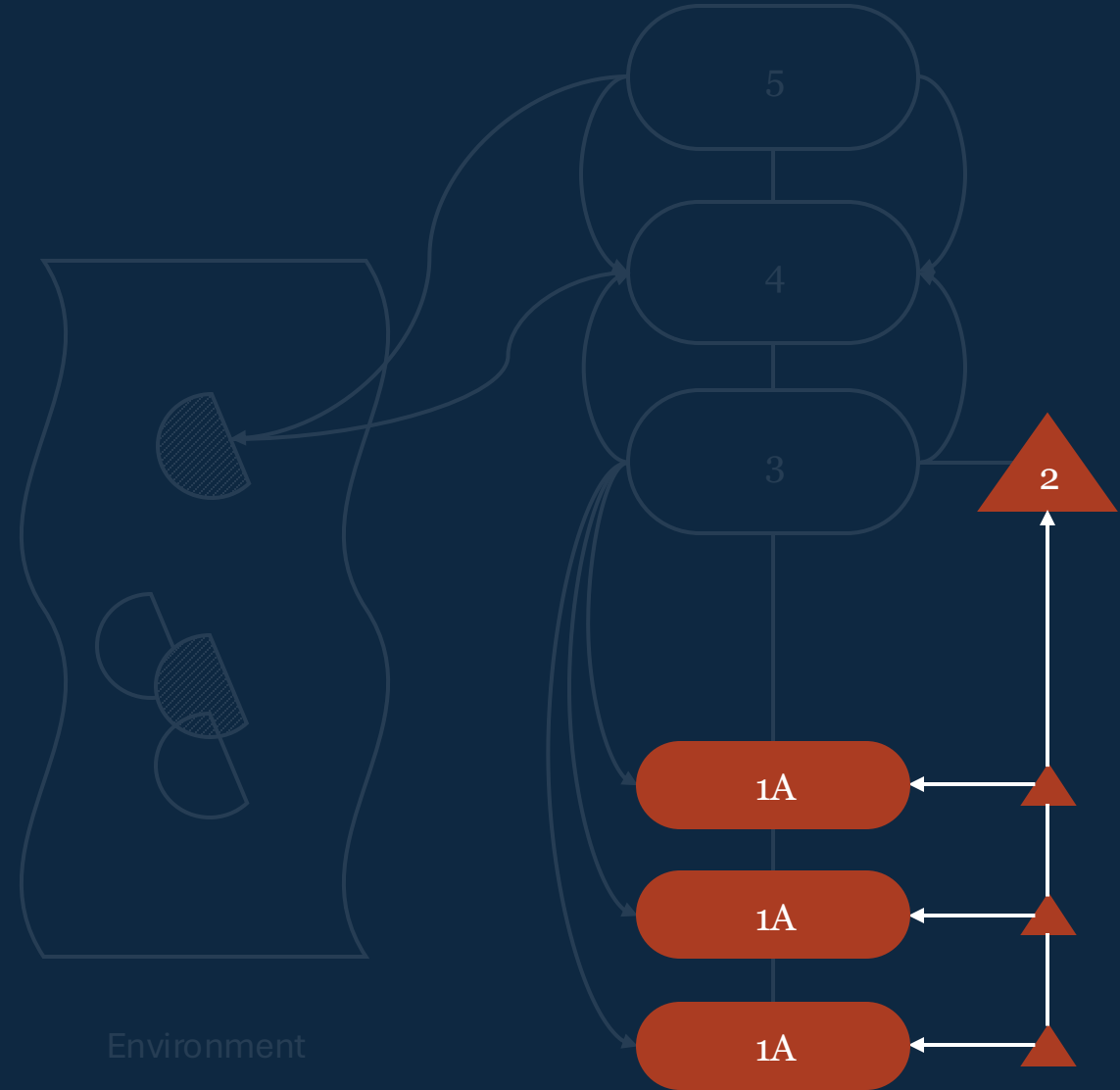# Stafford Beer and the Viable Systems Model

System 1:
The Doing System

It creates the primary outputs of the organization.
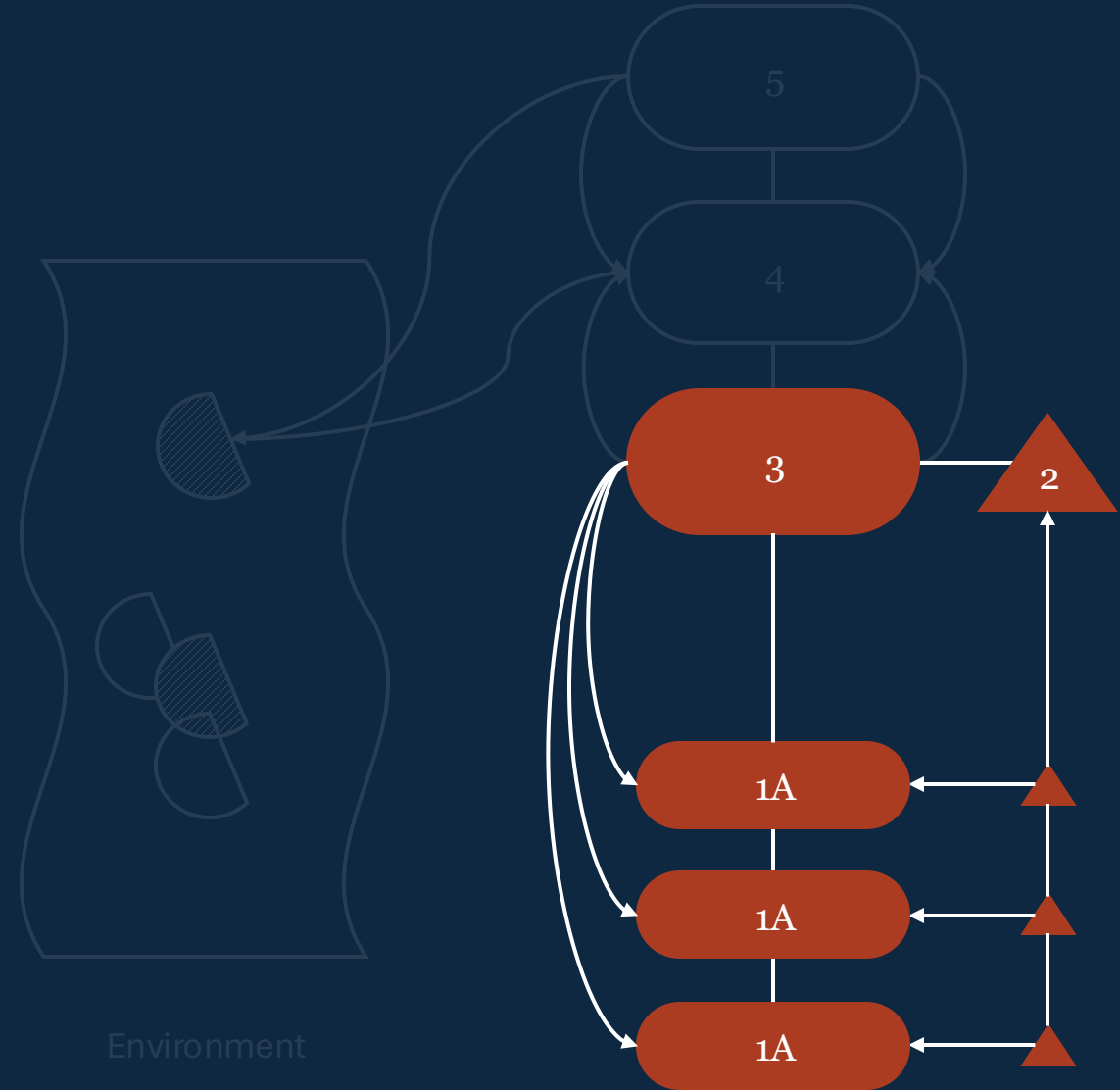
System 2:
The Regulating System

Ensures System 1 autonomous activities
are not overlapping or interfering.

Environment

System 3:
The Management System

Focuses on efficiency and potential of System 1 to optimize output.

System 4:
The Intelligence System

Integrates external knowledge to identify opportunities and threats and help the system adapt.
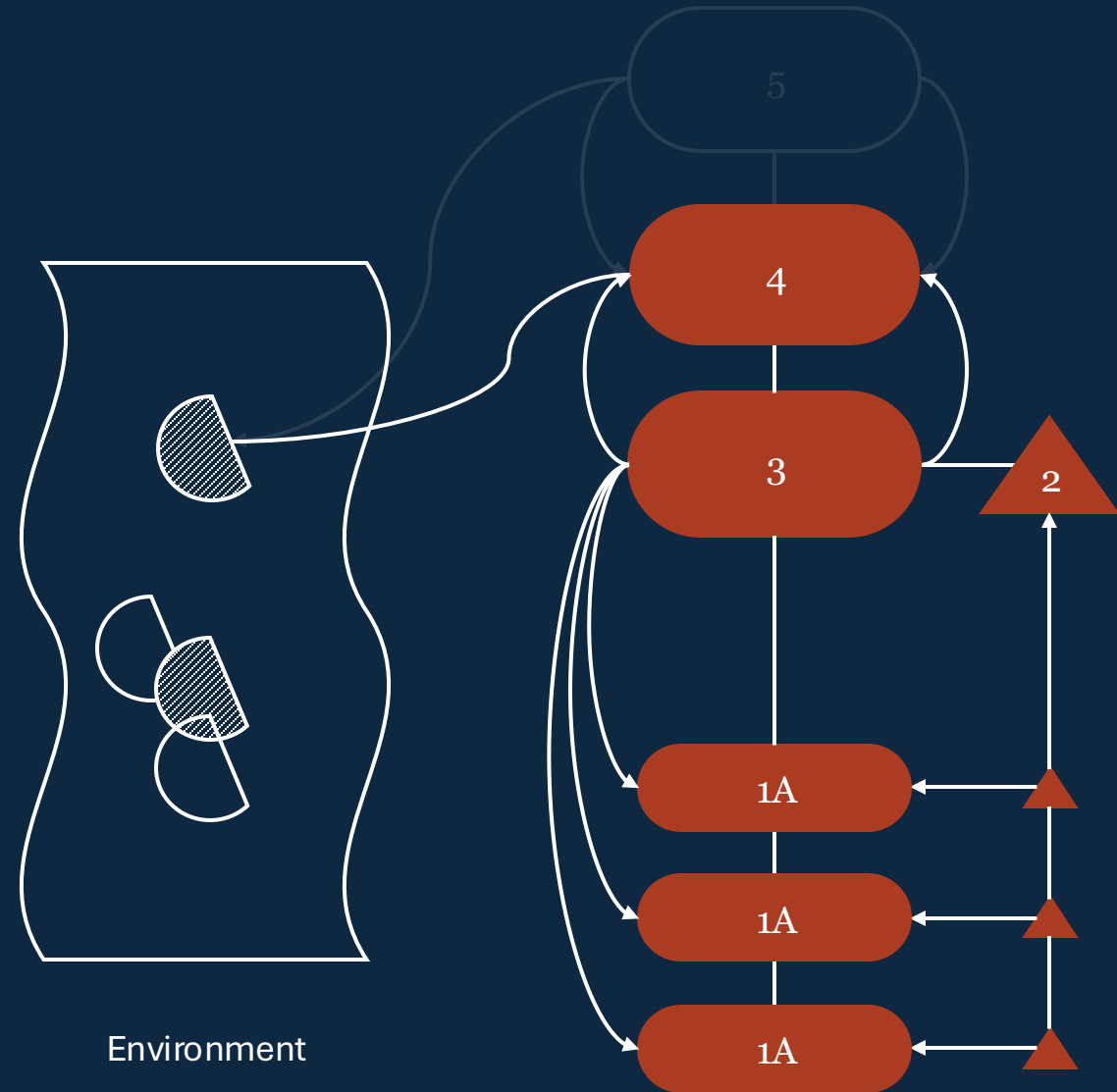
Environment

THE VIABLE SYSTEMS MODEL

System 5:
The Identity

Defines what the organization is and is not, and decides how it will change.

STAFFORD
BEER

BRAIN OF
THE FIRM
2ND EDITION

Environment

5

4

3

2

1A

1A

1A
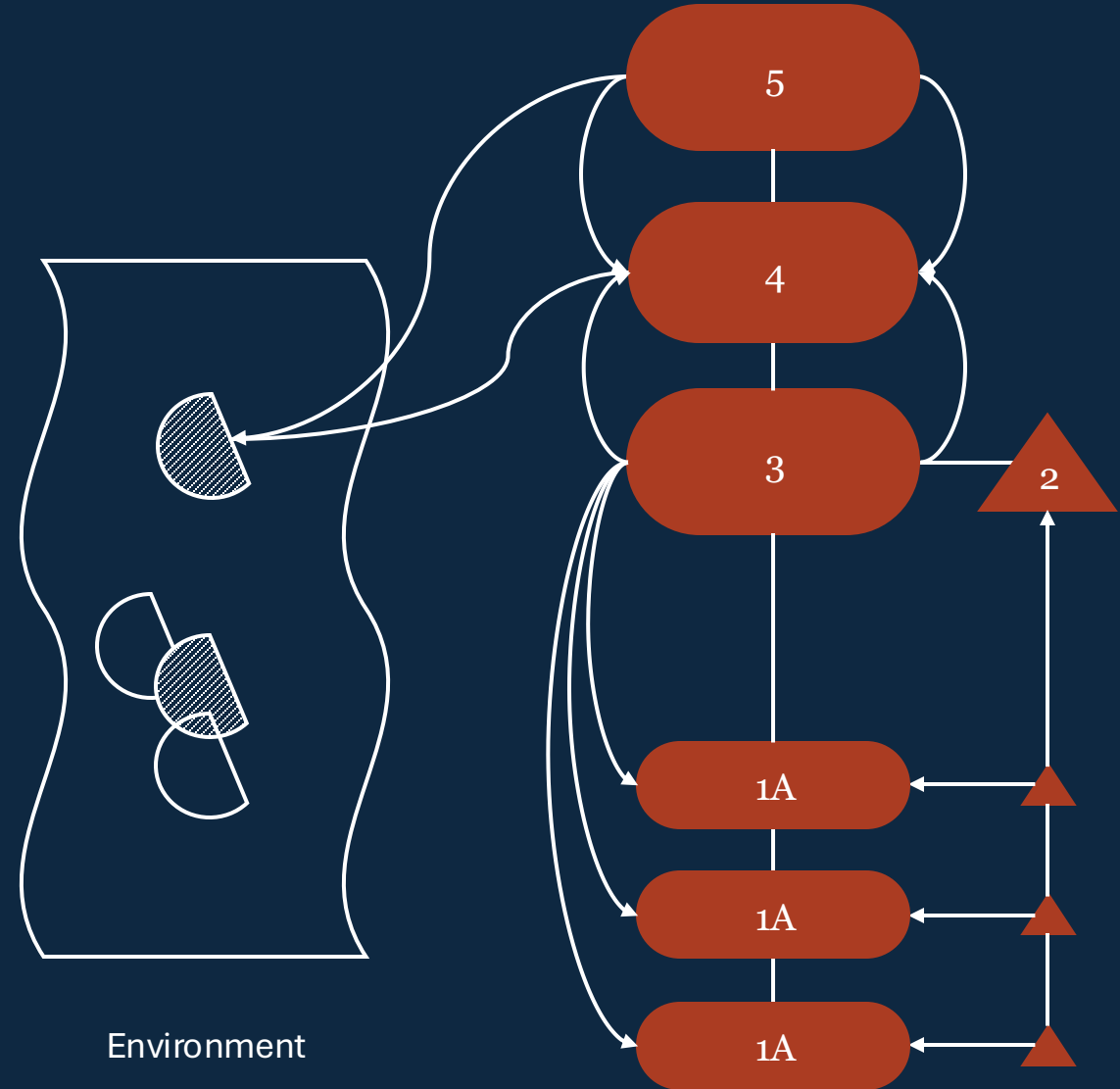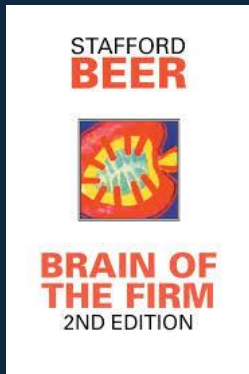
The Ideal Model for an Organization Is a Human

KEY VALUES OF VIABILITY

01	Recursion
02	Communication via Feedback

If a bunch of systems are behaving autonomously and independently, how does the organization prevent it from incoherence, internally and externally?

Designing
Feedback

"
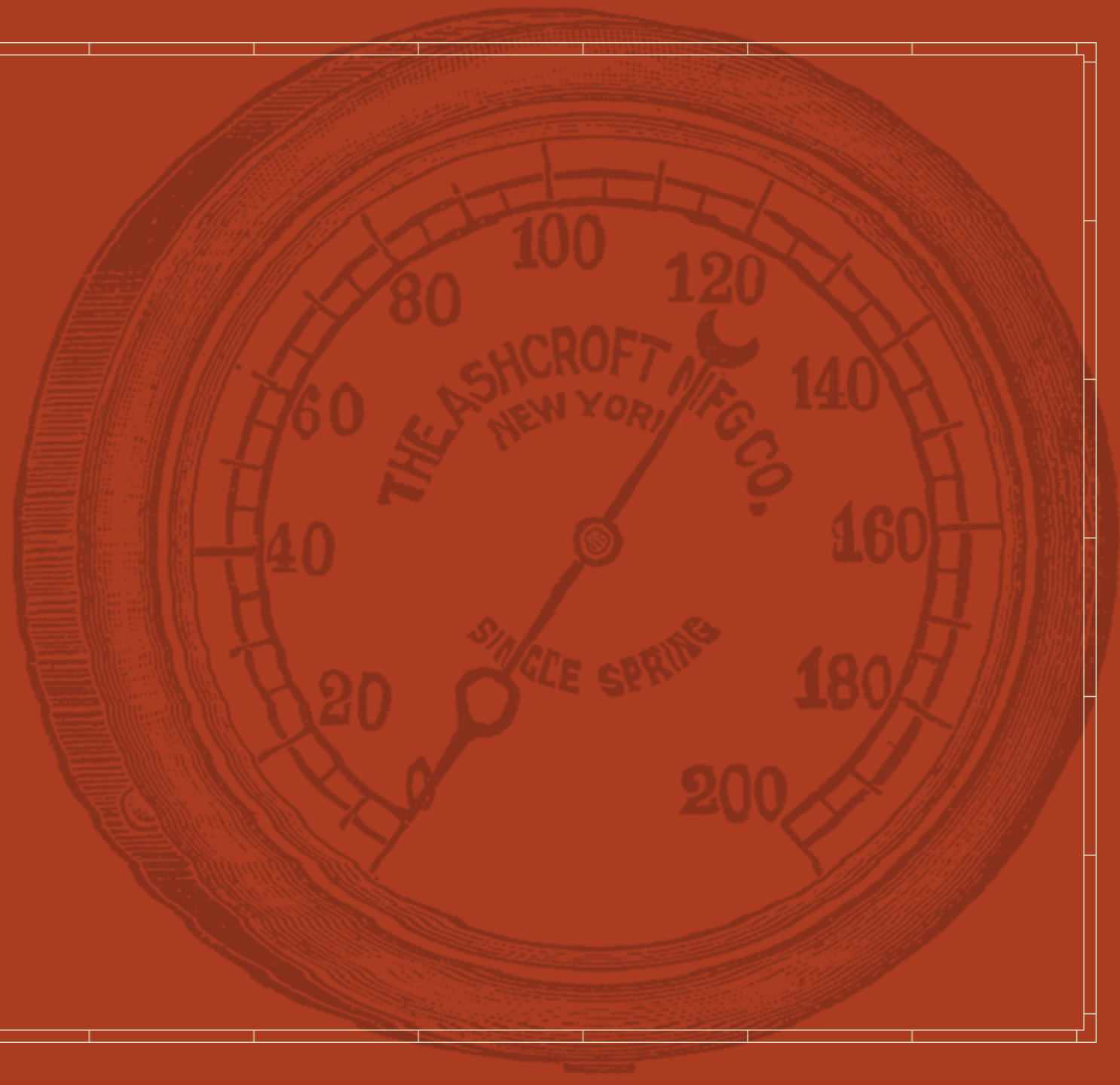
For a piece of data to have the capacity to affect decisions, it has to arrive *in time* and *in the right form*.
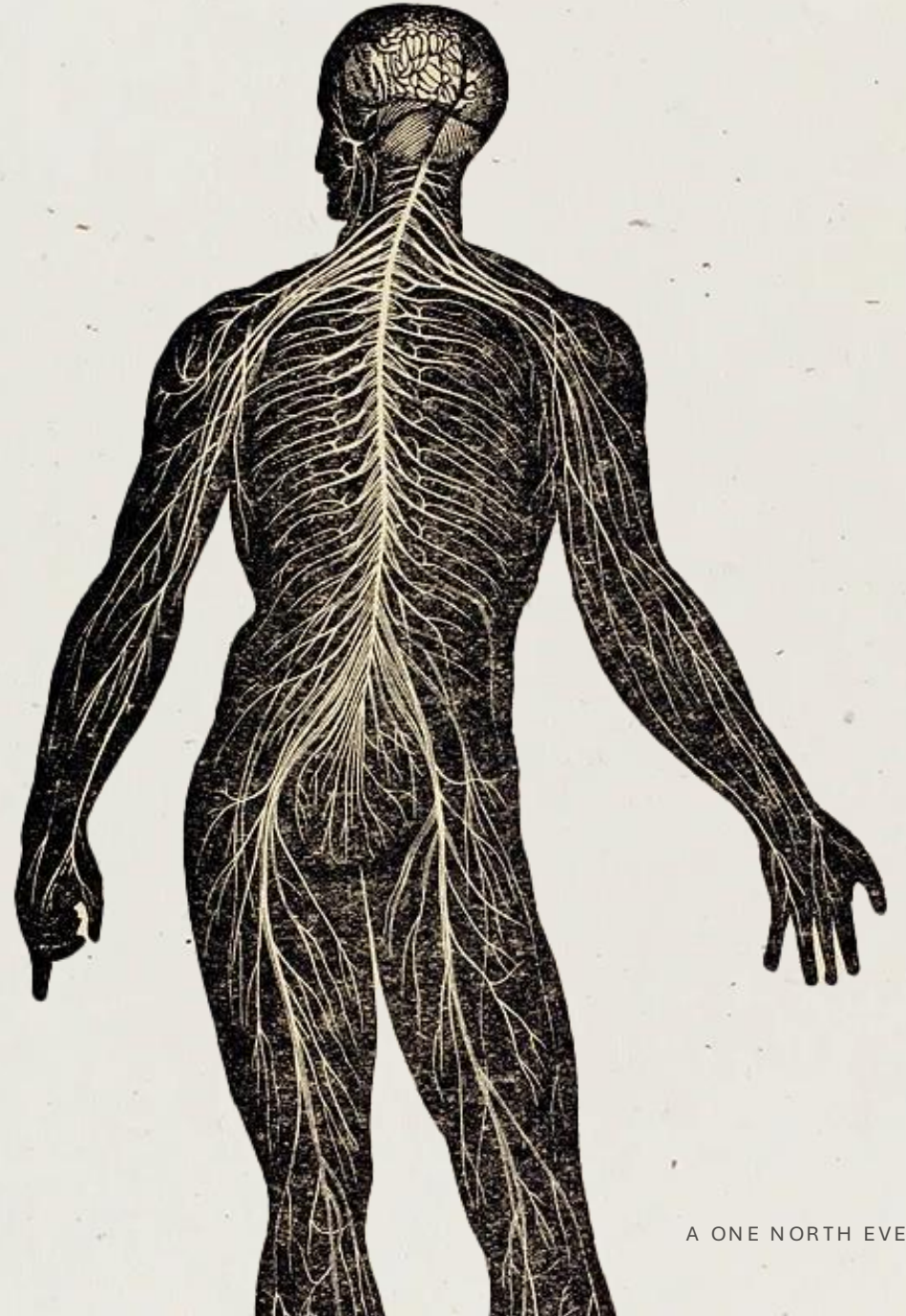
Dan Davies

The Unaccountability Machine

Designing Feedback 'in the Right Form'

Each system speaks its own language regarding feedback, rooted in its effect on its **purpose**.

TO ALIGN TO THE RIGHT FORM, FIRST WE MUST:

___

Understand the purpose of the system.

___

Align our information to show feedback from the system's purposeful activities.

___

"

The purpose of a system is what it does.

Stafford Beer

Understanding a System's Purpose

We do not need to "open the black box" of every aspect of a team to understand its purpose, just its primary outputs.

If you can show how a variable is positively or negatively effecting its purpose, you will be speaking its language.

And often the best way to communicate this will be in the language of data.

Common Mistakes in Designing Form

01   Aligning to well-known, high-level KPIs (not a fool-proof way to show relevance)

02   Not designing for the pleasure/pain feedback

03   Assuming something showing no impact is bad (the dashboard example)

Simple Changes,
Big Results

Commodity Traders received a pricing report, with deltas on overnight movements sent in dense excel spreadsheets, with everything conditioned in black or red.

The analytics team built out forecast models to help guide which categories were best based on their price level.

They wanted the traders to integrate this into their process.

How to do it?

Designing for 'In-Time'

Designing In-Time Can Go Wrong in Both Ways

01 For higher-level systems, there is a danger of showing data too quickly before there is impact.

---

02 For lower-level systems, it is difficult to show impact that occurs with lag much longer than their day-to-day decisions.
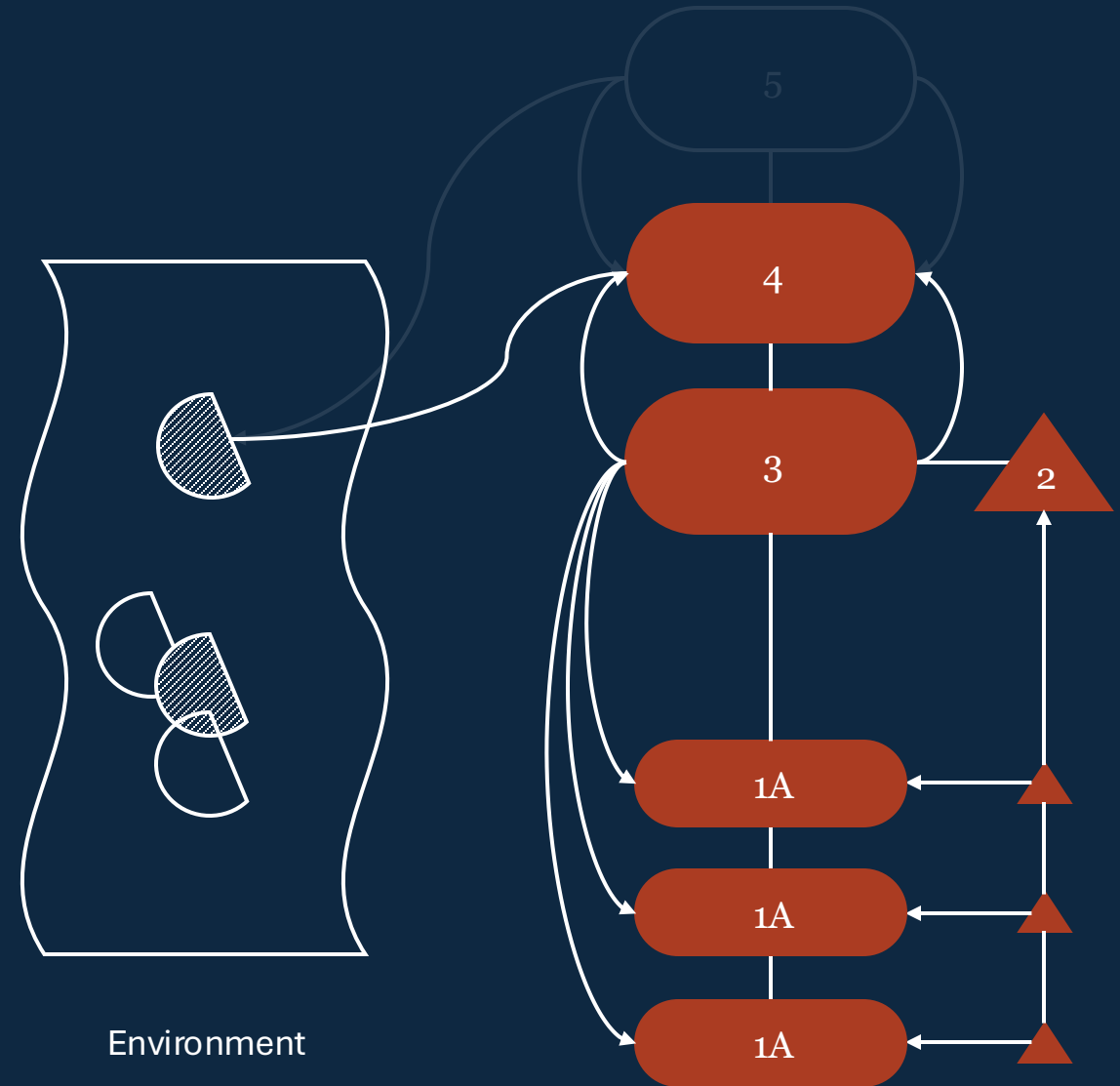
So, 'hire great people,
and get out of their way?'

System 4, 'Intelligence' Is Often a Large Organization's Achilles Heel

Too much dampening of information up the chain can blind System 5 to needs internally.

Can't be too sensitive to external signals at the cost of internal signals, or vice-versa.

Environment

Founder Mode Has Some Real Insights

01
'Get out of the Way' IS partially right—but what founders / strong executives provide is strong Identity signals down to the rest of the systems on what kind of company they are, and where they are going to go.

02
The Brain needs feedback too—the executive cannot have a fixed version of what the company is against in its evolving reality.

Skip-Level Monitoring

Patrick Hoverstadt in The Fractal Organization advises 'Skip-Level Monitoring', unannounced visits to a front-line or lower-level system to observe how initiatives are working in practice.

Patrick Collison ✓ ⬛
@patrickc

Every other week, we have a customer join for the first 30 minutes of our management team meeting: they share their candid feedback, and ~40 leaders from across Stripe listen. Even though we already have a lot of customer feedback mechanisms, it somehow always spurs new thoughts and investigations.

What Founder Mode Gets Wrong

Just because we aren't 'getting out of the way' does not mean we need to dictate the minutiae of every task in our increasingly complex organizations.

34

Generating and Organizing Variety in the Arts

BRIAN ENO

In the late 1960s and throughout the 1970s, as his successful career in pop music was getting underway, Brian Eno (1948– ; see also chaps. 17 and 22) was immersed in the British "experimental music" scene. He performed in Cornelius Cardew's Scratch Orchestra and Gavin Bryars's Portsmouth Sinfonia—experimental orchestras that welcomed amateur musicians. In 1975, Eno founded Obscure Records, a label dedicated to the dissemination of experimental music by composers such as Bryars, Christopher Hobbs, David Toop, Max Eastley, John Adams, Michael Nyman, Harold Budd, and others. In its first year, Obscure issued Eno's own experimental work, *Discreet Music*, which explored his interest in self-generating and self-regulating systems. In the following essay, written in 1976, Eno draws on cybernetic theory and evolutionary biology to contrast experimental composition and performance with its classical antecedents.

Don't trust me,
trust Brian Eno.

PROCEDURE

Each chorus member chooses his or her own note (silently) for the first line ("IF" eight times). All enter together on the leader's signal. For each subsequent line choose a note that you can hear being sung by a colleague. It may be necessary to move to within earshot of certain notes. The note, once chosen, must be carefully retained. Time may be taken over the choice. If there is no note, or only the note you have just been singing, or only a note or notes that you are unable to sing, choose your note for the next line freely. Do not sing the same note on two consecutive lines.

Each singer progresses through the text at his own speed. Remain stationary for the duration of a line; move around only between lines.

All must have completed "hum 3 (f2)" before the signal for the last line is given. At the leader's discretion this last line may be omitted.

"

It is extremely difficult unless you are tone-deaf
(or a trained singer) to maintain a note that is very
discordant with its surroundings.

You [...] adjust the note almost involuntarily so that it
forms some harmonic relationship to its surroundings.

Our Companies Will Continue to Get More Complex

Our playbooks and trends will grow outdated.

New external threats will emerge.

Maintaining viability as a firm will require a strong organizational sense of purpose to set our systems in the right direction—and ensure they are set-up to receive feedback to adjust in time.

Thank You!

one north A TEKsystems Company

As we set sail on this journey, our crew is ready to explore uncharted territories, weather any storm, and steer toward new horizons. With a clear course plotted, we'll navigate through opportunities, tackle challenges head-on, and dock at our destination with confidence and success.

THE ASSEMBLY 2025

A ONE NORTH EVENT

CAPE NEDDICK, MAINE
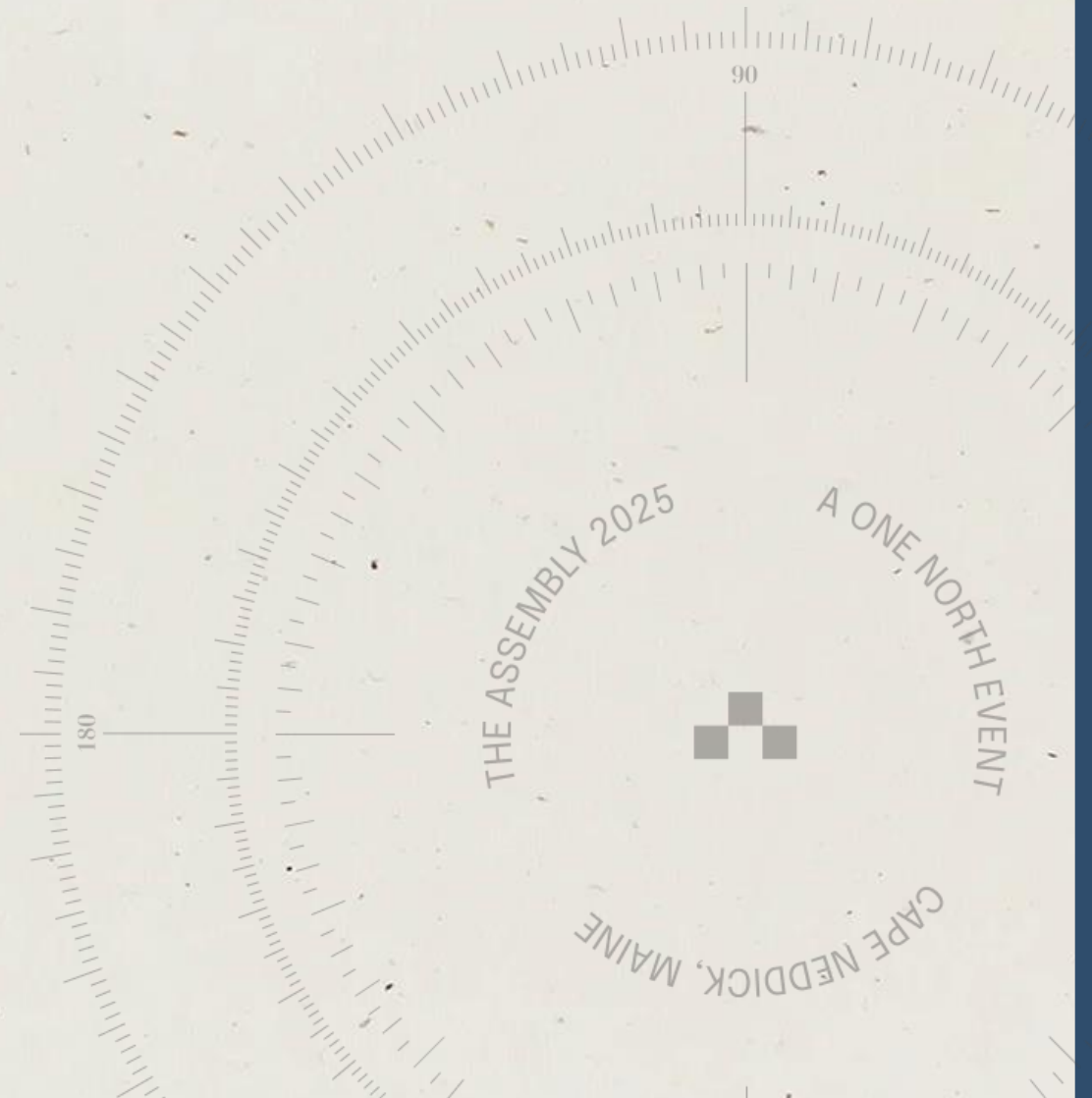
On Deck

SET SAIL WITH: Kevin Leahy

COURSE: Signs and Wonders: How Brands Create Value by Making Meaning

THE ASSEMBLY 2025

A ONE NORTH EVENT

CAPE NEDDICK, MAINE

90

180