



# HPT in a Dot-Com World

by Jeanne Farrington

**W**e read so much about Internet companies—the dot-com phenomenon. For a period, AlmostAnything.com was extremely attractive to investors and to employees. Business school graduates, information technology professionals, and many folks with speculative energy joined Internet startups in droves. Employee stock options, an essential part of the employment offer, might be worth millions—or nothing, depending on luck, hard work, competition, and performance. After the initial “gold rush,” where some of the more obvious potential was mined, the dot-com world is still attracting people and capital, but at a less fevered pace.

The race to market share on the Web, with an eye toward profitability and the hopes of offering stock for sale to the public, is too daunting for the faint of heart, mind, spirit, or body. Just as with any other company, new Internet companies can benefit from the services of experienced human performance technology (HPT) professionals. Whether working internally or externally, performance improvement on “Internet time” can be challenging to the HPT consultant and beneficial for the company.

## A View Inside

At first, what we see is mostly young people in their 20s and 30s wearing jeans and tee shirts, shorts and sandals if it’s hot outside. The founders dress this way, too. Usually the founders start as executives: CEO, President, Chief Technical Officer, Vice President, or Chief of Something. At first, they are the only ones there. Any one of them may double as the Only One Who Knows How to Make the Code Work or the One Who Orders Sodas for the Break Room. There’s a lot of truth, at first, to being President and Chief Janitor in Charge of Emptying the Trash.

The sales guys wear slacks and shirts they’ve sent to the cleaners for pressing. Ties may appear if there’s a customer meeting.

Sleeping bags adorn some offices, recently slept in, lying rumpled on the floor. Mismatched chairs are the norm, even on “executive row,” and they get dragged from one office to another for meetings. “We’re moving soon, so we’re not buying more furniture until then.”

Empty offices line the hallways: It’s room to grow between Engineering and

Sales, between Sales and Operations. As the funding comes in and the demand goes up, what looked like an ocean of empty space fills quickly. Two people inhabit each office. Three. Four. People work in the hallways. Conference rooms morph into offices.

Many of the newer people dress up more. They hang pictures. The lobby is dressed up, also, to give a “real company” feel to the place. The sleeping bags discreetly disappear. Older, more experienced people are hired to fill key positions, but techno still plays in programmers’ offices.

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All along, consideration is given to what the venture capitalists (VC) will want to see when they come to visit. It’s their money being spent. They are the *real* people to influence, after all. Customers, who buy products or services, are enablers in the Search for the Holy Grail, the Holy Grail in this case being Going Public, or the initial public offering.

Of course, there are differences in perception about this and in motivation. One or more founders usually have True Passion about the product or services being offered. Usually this is the person or persons who worked in a spare bedroom or garage making the prototypes and landing the first sale(s). Other founders and early employees sign on because there’s a promise of riches if the company succeeds. In reality, they might be happy selling electronic lemonade, if that were possible. Later, employees join the company as they would any other—and for the same reasons, not the least of which is that they are looking for a job. Their stock options won’t be sufficient to create wealth if the company is successful; they won’t have enough shares. These differences have interesting consequences as the company grows.

## Major Business Goals

As dot-coms grow, they have goals similar to those of other companies.

**Attract Funding.** This is a process that must continue until the company is profitable (or goes out of business). Most dot-coms function initially on other people’s money. Although they may generate income from sales early on, usually it’s not enough to actually run the business.

**Look Like They Know What They’re Doing.** This goal applies to VCs, to customers, and to potential employees. Staff must create a decent logo and sales materials. To enhance their visibility, they hire people who are well known in their field, people with “press release value.” Many make great efforts to acquire recognizable customers that others believe are sophisticated (Fortune 500 companies, for example). The more sophisticated the customers, the better the dot-com looks.

**Plan for Billions.** The company creates a business plan targeted toward generating billions of dollars in revenue. If it can reach those numbers with just a few employees, so much the better. The more automated the service, the fewer people there will be. People are expensive. Investors prefer automation.

**Achieve Revenue Projections.** Especially at first, based on practically no history but on dreams, wishful thinking, educated guesses, and potential, the nascent executive team guesses what the revenue will be over the next several quarters (and years). These projections go to the Board of Directors. The Board generally consists of founders and VCs. As time goes by and successive rounds of funding take place, the preponderance of stock (and the balance of power) shifts from the founders to the VCs; VCs risk their money to make more money. They want to see steady progress toward meeting revenue goals (financial figures going “up and to the right”). And VCs especially want the stock to be highly valued once the company goes public. So executives in dot-coms must eventually meet or beat their revenue projections, or the Board will replace them. Also, without VC confidence in future profitability, funding will dry up, and the dot-com will run out of money and eventually have to close its doors.

**Create Products or Services That Work.** Entomologists like bugs, but customers expect dot-com products and services to work. For retail (business-to-customer), that means working flawlessly. For business-to-business, that means working most of the time. Customers don’t expect perfection, but

they also don't want to bring their own businesses to a crawl because the promised features won't work until the next release. A reputation for having the best vision and best potential in a given product or service area is the next best thing to actually delivering what the business promises. Sooner rather than later is the time to deliver on those promises. Otherwise, customers (and VCs) will vote with their feet.

**Go Public.** Going public, the Chief Financial Officer will tell you, is just another way to generate capital for the business. It should not be considered an actual business goal. However, "When will we go public?" is a constant question in the hearts and minds of the founders and employees. As they work long, long days nearly every day for months on end to build the business, the lure of the millions to be made when the company goes public is never long out of mind. It's one of the things they talk about with lonely family members to justify the fact that they are seldom home. It helps them to work when they're really too tired. It helps them to deal with each other when they're extremely cranky from the multitude of difficulties inherent in any new company. To the extent that the founders and employees *are* the company, going public is a real business goal.

**Make This a Great Place to Work.** Founders always say this. They didn't start their own business and work this hard for it not to be *fun*. Dress is as casual as is reasonable. Hours are flexible (whichever 12 to 18 hours of the day you'd like to work). Coffee, sodas, and snacks are free. The atmosphere is informal; you can talk to anybody. Of course everyone is on a first-name basis. "Company culture" is mentioned often by members of the executive team.

These major business goals must be achieved in the midst of creating a company infrastructure complete with staffing and systems for human resources, facilities, finance, and internal information technology. It's a lot to concentrate on all at once.

## Typical Gaps

When called on for assistance, the performance-oriented business consultant can use a systems approach to look for gaps (Fuller & Farrington, 1999). People perform within systems that include:

- The organization itself, with its overall and individual goals, standards, and structure
- People, with their skills, knowledge, attitudes, and capabilities
- Behavior, the enabling actions, thoughts, and decisions that create results

- Performance, desired results measured in terms of cost, quantity, quality, and timeliness
- Consequences, including rewards, status, recognition, and assignments
- Feedback, the knowledge of results for individuals and the organization
- Environment, including tools, processes, information, and facilities

Dot-coms, like other businesses, may have gaps in any of these areas. When reviewing a company's current state, it is useful to be aware of some fairly common issues.

## Organization

Vision, mission, goals, job descriptions, standards for work, organization structure, processes, policies, and procedures—these things do not grow on trees. They must be created. Buy-in from the entire executive and management team is key. And the executive team may not recognize the importance of setting clear organizational and individual direction. In addition, they may not know how to develop, communicate, or implement those directions.

Early on, employees may not know exactly where to get assignments or where to report on their accomplishments or difficulties. They may have one manager on paper (or not) and someone else who really directs their work. Inconsistencies in compensation and job titles are common. There may not be a formal salary structure. The human resources function, once staffed, often must collect and assemble employee files and clarify employee expectations.

## People

Early employees may have played whatever role was most urgent. They may have been hired because they were colleagues from another company or because they were friends, neighbors, or relatives. These were people with enough faith in the founders, or enough loyalty, to jump into the new company before the idea was proven (or funded).

Currently, with the unemployment rate so low and especially with the shortage of information technology workers, hiring the right people can be exceptionally challenging. Many startups must choose between accepting long delays in hiring or accepting employees with lower levels of knowledge, skills, education, or experience than desired.

Many managers and even executives may not have managed people before; they may have happened into their positions almost by chance because they were available early in the

company's history. As the company grows, the requirements for some executive and management positions will grow faster than the people in them can grow. They won't all be able to continue in those roles. During the first few months (and years), the executive organization chart begins to take on an aspect of musical chairs. People move from position to position, and many disappear from the executive or management team or leave the company. Managing the movements and attendant feelings (ego, disappointment, jealousy, fear) can be a major challenge. Not making needed changes in executive and management ranks can slow, derail, or destroy a company's growth.

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### **Behavior**

Like all companies, dot-coms may be swayed by the "cult of behavior" (Gilbert, 1996). In fact, when goals and expected results are not clearly specified, behavior may reign even more supreme over performance—because nobody knows what performance is really expected. For example, people who sleep at the office may be considered high performers because they are working more hours than other people are.

### **Performance**

Without a track record, initial estimates of expectations related to cost, quantity, quality, and timeliness will be guesses. Measurement systems take time to develop. Many processes will be new, undocumented, ad hoc, or opportunistic. All aspects of performance will be evolving from first-time results (perhaps held together by rubber bands and prayer) to well-honed, repeatable, reliable, effective, and efficient results (we hope). Early performance expectations are based more on wishes than on science.

It may also be difficult for the organization to receive accurate data about its results as a whole. For example, what to include in sales figures may be ill defined. Expected revenue figures may or may not include contracts actually signed, handshake deals, deals still being negotiated, and those that look like they'll make it. Actual revenue, for obvious reasons, may differ considerably. The Board and the executive team may take issue when expected revenues fall significantly below actual revenue quarter after quarter. Predictability is important to investors.

### **Consequences**

Making that first big installation may be cause for the entire company to go out celebrating. On the other hand, factors causing problems with that same installation may be difficult to pin down. Was the programmer too sleepy to think clearly? Did the equipment malfunction? Was the process at fault? Figuring out when someone was a hero who solved the problem or when someone was the cause of the problem can be extremely difficult in a forming company.

### **Feedback**

Without clear management structures and processes, who should give feedback to whom can be problematic. Will employees hear about it if they make mistakes? Will someone tell them if their performance is stellar? They may have no idea how much (or how little) their work is valued by the company.

For example, everyone thinks Horace is messing up, but no one tells him. Everyone thinks Candace is doing great; no one tells her, either. Horace eventually gets fired and is surprised. He could have modified the problem, if he'd only known about it. Candace leaves the company, only to be told how much she'll be missed. This is news to her. Now the company is down two potentially good employees in a tight labor market.

Or say the engineers are pretty sure the next release will crash repeatedly if the deadline is not extended, but they don't tell their boss. The executive team is more concerned at this point with quality than timeliness, but the engineers don't know that. So the next release goes out full of bugs, and the existing customers lose faith in the product, making good customer references hard to come by and Sales' job more difficult.

Or say the production team misses its deadline by two days, and no one tells the executives until a customer calls to complain. The executives are pretty mad about that, but they don't mention it to the production manager; they just

try to smooth things over with the customer. And surprise—they have the same problem again with the next deadline.

### **Information**

Communication always seems to be an issue in startups. At first, everyone can gather in a conference room for update meetings. Soon, with more employees, that stops being effective. As the company grows, information about the sales pipeline, Operations' status, and Engineering's progress on the next release may be difficult to obtain. Who's doing what is not always visible. There may be no notification of changes in direction. People may be out of the loop when they have a need to know. The difficulties in this include not knowing who to go to with work or ideas, duplication of effort, delays, misunderstandings, confusion, frustration, mistakes, and missed opportunities.

The executive team's actions and focus can be puzzling if only snippets of information are made available to the rest of the company. Employees may start to wonder, "Whatever are those folks doing?" The more rapidly things change without good communication, the more room creeps in for fear, uncertainty, and doubt—emotions that undermine performance.

### **Tools and Processes**

While creating their wonderful Internet or intranet products and services for external customers, companies may delay providing some of the more basic tools internally. Internal inefficiencies may abound because, for example, there are no shared calendars for meeting planning. Or, if there are great information technology tools, some executives, managers, and employees may not be technologically oriented enough or knowledgeable enough to take full advantage of them. Although this is difficult for people working in high-tech companies to imagine, there are still people out there who cannot really type, aren't computer-savvy enough to figure out how to use unfamiliar software tools, or are accustomed to having someone else manage their schedules, send messages, and so forth. For example, people may not know how to double-click on an email attachment to read a document, how to cut and paste text from one section of a document to another, or how to make a PowerPoint slide. Generally, administrative assistants are scarce in newly formed companies.

In addition to software tools, new companies may not have job aids, desk procedures, or flowcharts describing how to get the work done. At first each customer implementation is an invention rather than a routine. Even the most mundane

action, like ordering supplies, takes original thought. As procedures develop and achieve some degree of stabilization, processes and tools can be created to enhance consistency and repeatability. Meantime, even the simplest things can seem to take forever.

### **Systemic, Systematic Process in Practically No Time**

When a performance consultant or training professional steps into the dot-com, startup environment, the company itself will be doing everything it can to move quickly. For everyone involved, it's like sitting on the front of a speeding locomotive, laying track down in front of it as fast as possible. Depending on the depth of funding, money may be less of an issue than time.

Once the executive team determines that it needs strategic help with performance improvement, it will look for guidance on how to proceed. This will become a triage experience for the performance consultant, who will interview and observe key players to determine what needs attention first, second, third.

Once you've made recommendations with which the executive(s) who hired you agree, it's important to stick with them until they are completed. Agreement often does not translate into action in a company where everything is being built from the ground up. There are so many worthy projects vying for attention. In other words, just because an executive is sponsoring your intervention doesn't mean that enough time and attention will automatically be afforded to it. Add to that the learning curve the executives may be having with leadership (much less management), and you can sometimes be fighting an uphill battle. Tenacity helps. Following are some areas to consider in the triage process.

**Goals.** Clear, measurable, achievable goals should be developed, written down, and communicated—for the company, departments (or teams), and individuals. An inclusive process for developing these goals, with the executive team involved at the company level and staff members involved at the various managerial levels, would be ideal.

**Compensation Structures.** Developing a scalable job and salary structure early on saves a world of hurt later. Making sure people know who their manager is and making sure that managers have some idea how to run their teams or departments are essential building blocks for clarity. Ensuring that departments do not become isolated, and making sure there are cross-functional teams, processes, and communications will be keys to success. Doing a good job of

setting up and developing an organization makes the difference between confusion and chaos and working together to achieve company goals.

**Communications.** People should feel that they know what's going on and why. It can be difficult to stop and make sure that everyone is on the same page when the company is moving so fast. There's nothing quite like face-to-face meetings to accomplish a state of shared meaning. These should happen at the company, department, and manager-to-employee levels. Email and intranet (if there is one) communications can play a key role as well.

*What are the essential measures? How are we doing? Showing consistent improvement may keep the doors open long enough to achieve profitability (and survival).*

**Recruiting.** Check on the basics. If staffing up quickly is important, does the company need or have professional help? Is it hiring mostly relatives and friends? Do managers and others know how to interview candidates without asking, "Are you married? Where do your parents live? How old are you?" If they know what *not* to ask, do they know what is useful to ask? Hiring the right people in a timely manner without getting in trouble is crucial. Startups have no time for bad hires or lawsuits. And they are usually in a hurry for the talent they need.

**Training.** When training is necessary, dot-coms will want it quickly (tomorrow or next week) and they'll want it quick (lasting an hour, maybe two or three). There might be three general focuses:

- Specifically on the new products and services they are creating. This training will be for Sales and Sales Support, internal folks, and customers. Internal subject-matter experts may be able to deliver the content. Of course, all the normal cautions apply related to choosing the right level and content for the training and designing it with objectives, practice, and feedback (at a minimum).

- On technical skills required to develop or to master those new products and services. This may include hardware or software skills as well as knowledge and skills related to the specific customer audience(s). For example, if the customers are in retail, manufacturing, marketing, or human resources, some internal knowledge of their businesses will be essential. The new company will try to hire people with the requisite knowledge and skills; however, as noted earlier, the company may not be able to find people with all the skills they require, so some augmentation may be required. Often it can be found in existing public courses. However, it may be desirable to work with vendors to trim extraneous content, tailor the courses to fit specific needs, and then offer them in house.
- General executive, management, and employee skills necessary to run the business. For executives, a one-on-one coaching process may be the best answer. For managers, providing training in short segments at staff meetings may work. Usually, general employee development programs (for example, time management, constructive contention, managing meetings) are delayed until specific needs become clearer and until there are sufficient numbers of employees to warrant bringing courses in house.

**Difficult Behaviors.** In any work environment, people who exhibit obvious antisocial, immature, or psychologically troubled behavior can be a major distraction to coworkers. In the often-cramped quarters of a growing startup, where people have many sources of stress, these issues are magnified. Coaching for the disruptive employee and for his or her manager may provide sufficient modification to keep distractions at bay.

**Rewarding Performance, Not Behavior.** Teaching executives and managers to watch for "cult of behavior" tendencies can help to nip that counterproductive current before it starts. Of course they will be pleased when people work long hours to support the company's vision. But if, in their praise of employees, they can point out results rather than behavior, that will encourage hard work in support of results, rather than hard work for its own sake.

**Measuring Results.** Encouraging the quantification and reporting of results helps here, as does the number of leads required per customer, time from lead to customer, time from sale to implementation, uptime, number of errors over time, cost of goods sold, revenue per employee, and revenue per quarter. What are the essential measures? How are we doing? Showing consistent improvement may keep the doors open long enough to achieve profitability (and survival).

**Consequences.** At the beginning, consequences can literally be seen at an overall level. If the VCs provide that second round of funding, the consequences of the company's actions as a whole are positive. Everyone gets to keep working toward the dream. Eventually, though, individual and team efforts will be singled out for positive and negative consequences. This could mean keeping one's executive position when the sales forecasts continue to be accurate or providing a team dinner when the release was delivered on time, without fatal errors.

**Feedback.** Managers and executives may want to preserve a "happy family" atmosphere and may therefore be reluctant to talk about performance problems. Or they may not get around to providing positive feedback and then lose people and even processes because they don't talk about things that "aren't broken." Either side of this spectrum can have negative consequences. The performance consultant must persuade executives and managers to instill feedback mechanisms as a natural part of doing business.

### Stuff That Gets in the Way

A performance consultant can do a lot of good by first recognizing challenges to obtaining the desired business results and then quickly recommending and implementing the appropriate solutions to overcome those challenges. This will happen either by responding to expressed problems or by uncovering gaps where they occur and filling them. The triage approach means interviewing and observing from the point of view of tackling the most business-enhancing areas first. In a startup, while the business is forming, there is always more to do than anyone can do at one time. There is always a sense that everything has to be done first. Clients will appreciate it if you approach your recommendations as steps that should be taken next—or soon. Displaying a judgmental attitude toward their hard work so far seldom furthers the action. And it may result in delays for implementing needed changes.

Other business priorities, lack of time, low staffing levels, and a perceived lack of urgency by the sponsoring executives can derail even the best and most appropriate advice and planning. Even though a client expresses agreement and sponsorship for a particular intervention, it may fall by the wayside because of a lack of attention by the very people who asked for help. This can be frustrating for the internal or external consultant, who can see that if the company would only take this or that step, Issue X (something vital for the business) would improve dramatically. If, after being

as persuasive as possible, exercising your best leadership skills, and being persistent, the client does not follow your advice, it's important not to take it personally. You hope this will not happen often, but when it does, it's useful to remember that you can't force clients to take even the world's best advice.

Working with startups can be extremely rewarding—identifying gaps in performance, making recommendations to assist where interventions will do the most good, reviewing and measuring the results. Everything you have ever learned about business, performance improvement, and training can be pressed into service to help startups meet their goals. Each startup is unique, with its own goals, culture, challenges, and opportunities. Watching them meet their goals and helping them thrive is a challenging way to use your professional knowledge and skills to make a worthy contribution. 🏔️

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**Jeanne Farrington** is President of Redwood Mountain Consulting. She provides business consulting to startup companies and works with larger companies to help them define their strategic approach to education, learning, career development, and performance improvement. She also designs and implements training and performance improvement projects for all types of audiences in a variety of companies. She has taught university courses and corporate workshops on many aspects of instructional design, performance technology, and web-based training. She has worked internally as a training professional and manager at Sun Microsystems, Silicon Graphics, and Hewlett-Packard.

Jeanne has written business plans for a variety of corporate universities and training organizations in the high-tech arena. At Hewlett-Packard, Jeanne was responsible for creating and implementing the strategy for the development of HP's worldwide education community.

Jeanne has an MA in Instructional Technology from San Jose State and an EdD in Educational Psychology and Technology from the University of Southern California. As an adjunct professor at USC, she recently served as a local advisor for the Human Performance at Work Doctor of Education program. She is coauthor of *From Training to Performance Improvement: Navigating the Transition*, published by Jossey-Bass/Pfeiffer in 1999. Jeanne may be reached at [jeanne@redwoodmtn.com](mailto:jeanne@redwoodmtn.com).