

People Challenges, Employees, Customers

SmartUp Foundations Course - Lecture 13

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A few announcements. First of all, it's kind of shocking for me to see we are on lecture number 13, and surprisingly, I still have a lot more to talk about, so it's kind of. You will have to bear with me. Second, we ask you for feedback. We got some feedback, which was very interesting and important for us, but we didn't get feedback from each and every one of you. So those of you who want to be here next time, please send your feedback or else we're going to chase you. Okay? So this lecture is about my favorite subject, which is you or you as a representative of people. As you will see in the next two hours, people are something really complicated, and that's why it kills most businesses. It's the people that kill the businesses. So I have in here employees and customers.

This lecture will only deal with the employees, which is one big problem. The customers I hopefully will get next time or the time afterwards. And I will explain why customers are also people and therefore are also a problem. But I'll start with the usual. That's our team. Ayala is hiding over there, and I strongly recommend that you guys know her because she manages on my life. So if anything you need from me, Ayala is the right person. And obviously, Libby, what we do in here is, as you can see, I added the engineering profession, not just the profession. Why the word engineering? Because I'm trying to build a methodology that is like engineering. You can measure everything, you can plan everything. It's not just statements. As I said many, many times, a successful company is a company that first and foremost is profitable.

It is fast growing. So it's not like a family business that doesn't go anywhere, and it needs a modest investment. Okay. And what we do in here is we work with companies. We right now have, I don't remember exactly four, five, six companies that we work with in a residency program. And it's growing nicely. So I'll start with the agenda. First of all, the title, I think, tells you everything. Okay. It's the most complex part of your job, and the reason is that they are unique. And we'll get to it in a moment. Then I will share a lot of personal stories of my experience working with people, mainly because everything that has to do with people is personal.

I will go down to the personal side of it, talk about leadership and what leadership does to a company and how do you run a company? My second favorite subject is co founders. For those of you who don't know my opinion, you will hear it about 10 times during the that presentation about how important co founders are and team size, how many people do you want to hire, when do you want to hire them, why do you want to hire them, and so forth. And if we talk about hiring, what are your criteria when you hire? All the dilemmas that every company faces as they start doing hiring and the process of firing, compensation issues, how do you pay, what do you pay for, Morale issues.

And obviously you're not a manager unless you fire some people, because before that you are just playing with being a manager. But when you need to sit down and tell somebody, I'm sorry, but as of tomorrow, you're not here, then you start to understand the difficulties. So we have a heavy agenda and let's start with that. I'm sure you have all heard this. People would be so easy if not for the employees and the customers, right? If you haven't heard that statement, you haven't been around long enough. And the most important asset that you have is your team. So at the beginning, many entrepreneurs start on their own, so their team is just one person. But most of us have a hard time just doing everything ourselves.

So we start surrounding ourselves with a team, whether it is co founders and later on, we're hiring people. And that's really becoming your most important asset. Building an effective team is very difficult. And I will go into it later on. Why is it so complicated to build a successful team? Beyond that, Remember, to be a successful company, you have to be profitable. So profitable means you have revenue line and you have expense line, and revenue less expenses is your profit and what are your expenses? So your expenses, in most cases, 70 to 80% of your expenses are salaries and what's going on and all the other things around it. And they represent 100% of your success or failures.

So really it's all about the people, the salaries you pay and what do you get out of the people, which is why people are so critical to the business. So if you want to start measuring things, I've put this slide before. Mathematics is the language in which God has written the universe. That's Galileo Galilei for those people who don't recognize the picture. And he was the first person that actually wrote an equation in physics. So until then, people talked about it in philosophical terms, about things tend to do X or tend to do Y and tend to fall and tend to jump. And he was the first

one that started measuring and finding the correlation between two things. Later on, Newton came on top of it and he wrote the famous equation $f=ma$.

Those of you who don't know what that means, please come to me after the meeting and I will explain to you what F equals material. Okay? So that changed the world. And the language of business, obviously, is money. And money, again, is something that you can measure. Those of you who don't know how to measure money, talk to your spouse, because you have a big problem. I can't solve that problem. But money, you can calculate. You can calculate your income, you can calculate your expenses. And it's critical to convert everything you do to money, because that's really the equation that tells you, are you going in the right direction? Are you going the wrong direction? What the hell are you doing? So when you hire a person, you have to look at the cost of it and all the other expenses around it.

So I repeat again the issue that people are complicated. And the question is why? And the answer to it is something that we all know, but I don't think that we really understand the consequences. We all understand that each and every one of us is unique, is the whole world right? As far as I'm concerned, I'm the only person in the world. And the rest of you are just kind of bothering me. And all of you, each and every one of you, feel the same, right? To you, I'm just a nuisance. That's it bothering you. And that's the reality. We all are very unique. Now you want to put all of these unique people in one room and try to aim them into one direction. And it's complicated. It's just very complicated. And anybody who ignores that complexity is making a big mistake.

So if we start with this assumption, and you will start seeing the consequences in a moment, the first consequence is a little bit of modesty. And I'm starting to become personal in here because I don't want to tell you guys that you don't know what you're doing, but I can tell you I don't know what I'm doing. Okay, that's fair enough. So I'm not aware of any reliable way to predict people's performance in your company. You hire, you pray, you hope, and you are surprised, always. For better or for worse. Okay, you can be surprised for better. I'm not saying that you're always surprised for Red, but what you get is never what you expected. At least in my case, never. Sometimes it's better, sometimes it's worse.

Unfortunately, most times it's worse because you try to hire the best person possible for the job and you find surprises. Okay? I'll go. Those of you who work in bigger companies, and they have this annual review, Right? So you have to stop laughing, Right? Yeah. It's the end of the year, you start having. You know, you have to start this annual review, and you get, I don't know, a form with 10 pages and 360 and 870 and whatever it is and the reality of it. In my companies, there was never annual review. Why? Because I just don't believe it represents anything real. They go through the motions and so forth, but it's never real. So I just don't do it. It's very hard to quantify a person. It's just impossible.

So from here on, for about the next 20 minutes, I'm going to talk about my perspective again. Because every person is unique. I can only say about my perspective. Each and every one of you, while I talk, think about similar experiences that you had. So, ZoomInfo. ZoomInfo was founded in 2000. At that time, were living in Boston, me, my wife, and my three daughters. And we decided it's about time to move back to Israel. My kids say, we didn't move back. We made Aliyah. I moved back. And my daughter, who is right here, was approaching eighth grade. The following year, she's going to go to high school. And we said, that's it. We have to go back to Israel or else we will never go back. The company was four years old, as you can see. I was very worried.

That was before Zoom, before all of these technologies. I was very worried how I'm going to run the company from Israel while everybody was in Boston. I was the only person in Israel. So I decided I'm going to bring a president in the US to run the operation, because the whole operation was in Boston, and I will fly back and forth. That was the idea. I brought a person, as you can see, in 2003, Gary. I brought him a year before I left, so that I have time to work with him and realize that we are on the same wave and we're thinking. And I brought a really highly accomplished guy. He was the CEO at Thompson Business Intelligence for four years, as you can see, from 2007 to 2001. So I brought him to ZoomInfo and we started working together.

And about a year into our relationship, when I'm in Israel and he's in Boston, I started to realize that he and I don't have the same definitions about profitability, about what needs to be done. I basically lost confidence in the guy. He lost confidence in me, and we decided that the best solution will be to part ways. So we parted ways. And you would assume that, yeah, he was a bad guy, stupid idiot and so forth. So here's what the stupid idiot did. He went and he started a competitive company called Net Prospects. But he had a better idea than me on how to build the company, because we build it based on technology. Reading the Internet, extracting information, don't ask. I mean, it was almost like sending a man to the moon. He did something a lot simpler.

He went to companies that had very big databases of subscribers, like magazines. And he said, if you give me your list, I will give you the same exact number of leads that you don't have. We'll just swap. So he started to build very rapidly a very good list of people, phone numbers, addresses, email addresses and so forth, just by swapping and having a right to all of these names. And to add another insult to me, he also verified that the data is correct. So when he was trading, he would take the file that he got, send it to India. They picked 500 names at random, picked up the phone, send an email, and his criteria was 90% accuracy. If your list was not 90% accurate and current, he wouldn't take it. His company was doing really well.

While I was still working hard at ZoomInfo, he sold the company to Dan and Bradstreet for \$120 million. He had an exit way before me at a really nice price. And as you can see, I was very right at. At hiring him. It didn't work out. So that's president number one. Now let's look at president number two, Brian. So he was president from 2006 to 2008, and I brought him from Monster. Monster was a very large company, actually the largest company at the time, dealing with recruiting. So they were a very large database of resumes. Everybody who wanted the job put their resume in Monster, because every age, our department in every company were subscribers of Monster. And that's the way people got a job, or were hired. So he was the chief marketing officer, definitely knew the market we are going after.

And so I brought him to ZoomInfo to be the president in 2006. And true to nature, because he was at big company Monster, he started to build divisions at ZoomInfo. I had three different groups with group managers that he hired because he knew them. Before I knew it, there was a big company over there, except that it just didn't perform well. In 2008, I said to the guy, Listen, Brian, I'm sorry, but this is not the way to go. I have to ask you to move aside. So I didn't fire him. He became the chief corp dev because he was a phenomenal salesman, and he was with the company from 2008 to 2010. But along the way, we spun off another company called Bezo, and the VP Marketing of ZoomInfo became the CEO of Bezo. And he wanted to take Brian with him.

So I said, hey, go ahead. So he joined Bezo and Bezo was very successful. In 2014, it was sold to LinkedIn. So as you can see, very successful guy. Now he's the CEO of a company called ClearGuard. So again, Jonathan just took a really good guy. Ruined him. When I let him go, he was brilliant and good again. So that's president number two. But the saga continues. So president number three, Sam, he was. Because I had already two failures, right? Two. So the board said, sorry, Anatan, but you're really bad at hiring, so let us help you, okay? So this guy Sam built a company for me called buyerzone. The chairman of that company was on my board. He said, this guy did a phenomenal job.

He took that company, it was going nowhere, and he built it and we sold it, like for \$43 million to another company. He's phenomenal. You won't make a mistake here. So I sat down with Sam. I liked him, nice Jewish guy, and hired him. So he was with me for three years, and you can kind of guess where I'm going, right? So the company was not doing well, and blah, blah. And I had a meeting with Sam, and I said, sam, I'm sorry, this is not working. And he said, yeah, you're right. And he. He was so disillusioned with Zoom info that he wanted even to return all of his shares. So he didn't want to have anything to do with Zoom anymore, period. Done. And he left. And then he joined a company called CarGurus. He's the COO, and he's doing phenomenally well.

He's stinking rich over there and very successful. So what can you see in here? People that I brought in were the right people, really smart. I just didn't. I don't know. My problem, probably. And then after they finally dropped me dead, they started to flourish again. Why am I saying all of that? Because it's a matter of just working together. These are really smart people. I'm still friends with some of them, and it just didn't work out. Not my fault, not their Fault, Sort of. So when I told the board that I fired Sam, one of my board members said, you know, Jonathan, these are three wonderful people. The only constant in here in this story is you in three years. So maybe we are firing the wrong people. And I said, potentially, but because I know this is coming.

When I built the company, there was a clause that certain things in the company need to have my shares voting for it. And one of them was firing the CEO. So I left the room, walked out, came back, and I said, I checked with the holders of Class A, and they don't vote for letting the president go. The CEO go. And he says, why am I not surprised? So we didn't have many more board meetings afterwards. You know, it was kind of the end of the board meetings, and at the end, everything turned out to be good. So they still talk to me. But beside the story at the end, I think this is very illuminating to these issues, but I have more stories like that. So before Zoom, I had another company called Card Scan.

t was founded in 93 and was acquired in 2006. Notice the overlap in times. Okay. So I ran the two of them in parallel. The company started. We were selling mainly directly. We put a lot of ads. People would call on the phone, and we

would sell them the product. But obviously, if you want to grow with a product that, you know, it's just a small scanner, cost \$250, you need to go and be in the stores. I had no clue whatsoever how do I sell through Office Depot and Staples and CompUSA and all of that. Just didn't know what to do. So I hired a guy who knew his name is Steve. So he was VP of Sales from 1995 to 1997. Brought the company to about \$6 million in sales and kind of plateaued.

So he kind of reached the maximum that I thought he can take us. So the same again. I had a conversation with him and said, Steve, I'm sorry, but we had to part ways and so forth. So he left. It was the heydays of the dot com. So he started a company called Anyday.com. Anyday.com was basically. How do you call it? A calendar on the web. So he called me and he says, Jonathan, I need some advice. I said, okay, what's the scoop? He says, how do I make money here? I said, honestly, I don't understand why anybody needs a diary on the web, but I don't know. So we sat down and we tried to brainstorm, and I had no idea how you make Money on a diary, on calendar on the web.

But it was the heyday, everybody was running around and he had anyday.com and he started talking with Palm Pilot as he started talking with palmpado. They really wanted to move, you know what a palpadot is, It's a small handheld computer. So they wanted to acquire them because they wanted to have a calendar on the web and sync it with the Palm Pilot. They agreed on a price of \$80 million. PalmPilot wanted to pay in cash and any day wanted it in PalmPilot shares because the shares were more better. But PalmPilot says our shares are worth, you know, we don't give shares, we give cash. So there was an argument and at the end of the day Palm Pilot won and they paid in cash and company was acquired.

Steve left the company with 20 something million dollars in the pocket and he fairly happy and that was it. Then one day I talk on the board and tell them the story and one of my board members says, I know this story. I was the one negotiating the deal. I said what? He said, yeah, I was the one negotiating the deal. And so I got all the details that I missed from that. So here's another great example that I'm very good at hiring people and very bad at doing the right things with them. He's a really nice guy, Steve. So lesson learned. People are different in different situations and their performance can vary radically. And the reason I bought all of these stories is to tell you I'm not just saying it, I really live through that.

Finding the right person to work with is not simple and I failed miserably. However, getting fired by Yonatan probably brings luck and a lot of value. So those of you who are fired enjoy it. It's going to give you a lot of luck. And I have many more names. I didn't want to bring them up here, but it really brings a good luck. So try not to be fired by me leadership by the way, because I'm talking about people and many of you probably have questions. So if you have any question this time, just raise your hand and we'll make it really personal. So each CEO is unique and obviously me being a CEO, I must be unique. And therefore they have a DNA and the DNA of a company is usually dictated by the CEO.

I now witness a really interesting thing which is I sold zoom info. There's a new CEO and I happen to have spies at the company. Two spies, three spies and another one sitting in here. And I can witness the change in the DNA of the company, for better and for worse, okay? It's just different. It is different. So the way I used to run the company and the way Henry runs the company is different. And therefore people who like my style probably less like what he's doing. And people who worked with him really enjoy what he's doing and didn't like what I do. But it's just changing to meet what the CEO DNA is. And mismatching style and personality is why good people with a good track record might fail. And I brought enough examples before, okay?

So I look at hiring as a very complex puzzle of putting together pieces that don't match. Usually the example and the statistics I always bring is if there is anybody that we spend a good amount of time when we hire them is our spouse, right? So we date them. If they're not religious, you live with them for a year, two years, three years, you get married. And then 50% get divorced. And the other 50%, half of them just is too hard to get divorced. So that's it. Right. Why? Because it's difficult. It's just difficult. Companies change. People change. It's very difficult to do. So I think I convinced you that people is a complex equation and a complex riddle. So what is the personality of a company?

Let's start with myself because it's the easiest thing to do, but I will later on recommend that you guys do it. The first thing is, what is your philosophy about the company you built? I talked about it in one of the previous lectures. I played the infinite game. What is the infinite game? It's called life. We are all convinced that life is infinite. Each and every one of you in this room believes strongly that you're going to live forever. Despite all the evidence to the contrary, we all believe we will live forever. As I keep telling my kids, there are two species of people. They're born differently. They are you. And the people who are born like this, you know, they don't walk. So you don't become old. They are born old, and you will never be there. But unfortunately, yes, we do.

So when I build a company, I think about it as something I'm going to do for the rest of my life. And therefore, it better be great and it better evolve over time. What is a finite game? A finite game is a very clear game. There are rules. It's like football. It's like basketball. It's like hockey. Two groups. There are rules. There's a time allotted for it. 90 minutes, 60 minutes, whatever it is. And there are winners and Losers, period. Or in the venture capital world, we must have an exit. There is an end game. It's not infinite. You better sell or take the company public within seven years. That's it. So it's a very different DNA to the company. Do you work towards a very clear target or do you work like, okay, we're going to build it forever now.

If you are going to build it forever, then you need to tell people where are they going? Because otherwise we're just walking the desert. For every company that I was involved at, we always put some, I call it the flag on the hill or the flag on the mountain, guys. That's what we want to be when we grow up. And now we never get there, of course, because I keep raising the flag. But it's the direction we all go. And clearly you heard it say Startup Academy aims to teach entrepreneurs how to build successful companies. Profitable, fast growing and a modest investment. There is a reason I repeat it every single time. Doesn't tell you the how, but it tells you where you want to be. And it's very important.

Because if you want to play an infinite game and you want to keep doing it for years, you need to have a clear target that everybody buys into it. Okay, so what beyond that, below that, what is it we seek and appreciate? Measurable results. The opposite of measurable results is, oh, I worked so hard, Jonathan. The whole weekend I was working, I can't even sleep, honestly. Why do you do that? I don't want you to work hard. I want you to bring results. If you can do it while you sleep, that's great. Working hard is an excuse. That means you are not thinking about what you do. People ask me, so you know, you went to companies at once. What did you do? I said I work 50 hours a week. That's what I work. Why 50 hours a week, 10 hours a day?

Those of you who know me here, I never show up before 11. Why? I get up at 6:30, 7:00 in the morning. But the morning I spend with my family and I come home at 9. So 11 to 9 is not even 10 hours. It is 10 hours time. That's it. I never work over a weekend. Why? Because I don't think that hard work gets you anywhere. You just have to decide, how do you measure your work? Second, transparency. I just told you about all my failures, right? I think that it works really well when you don't keep any secrets. The only secret we have in a company is usually just the compensation, decision making. How do you make decisions in a company? And it also goes to the transparency.

What I found in other situations is people kind of have this vague way how decisions are being made. It comes from the top and it goes down. And these smart people at the top decided that this is it based on everything that they have learned. They tell you, this is what we do. Bullshit. If you can't explain to people why you made a decision, it's probably the wrong decision. It's that simple. And if you can't explain because there are reasons why you don't want to explain, that's probably really bad. Because those reasons seem like you're doing something either illegal or something that you don't want people to know. So if you don't want people to know, don't do it. So transparency and decision making in my mind go hand in hand.

What I did in all my companies was we had a company meeting once a month. Once where in the company meeting, we usually started with the financials. Remember, the company has to be profitable. There are no secrets. So we showed people, here are the revenues, here are the expenses, and hopefully the difference between them positive. And if it was negative, we spent a good amount of time talking why it is negative. So it got to the point where people were bored and they said, why do we do that every month? I don't want to hear again about the financials, about all of that stuff. So after a while I said, okay, we'll do it on a quarterly basis, and as you will see later on, why we do it on a quarterly basis.

But I think that being over transparent is better than being secret. The other concept I have is, as you remember, I said many times, people are complex. People are different, and therefore they think differently than you. They might not be smarter than you, but they think differently than you. And it's very important to hear other angles about anything because it opens your mind to think about it just this moment. Where's Uthi? She said, you know, I've been here now for 10 or 12 lectures and suddenly somebody says, why don't we connect the power to this power outlet? She said, that power outlet was there all the time. And I always try to drag the line from like here and there is an outlet over there. Okay? There's always when people, different people look at something, they find something. You didn't think about recognition.

We will get to it later on, but I think it's one of the most important elements in management. There's anything that

people hate is to be invisible, to be ignored. Hi, guys. How you doing? Wow, great, right? You're working hard, right? I'm by. I've seen enough CEOs coming in and they say, guys, you know, we have to do this. We're going to crash them. And they go away. People read through that in about two seconds after a while. But if you go to somebody and you say, what are you working on? Can you show me at the beginning? People are like, what? What do you want? I used to travel every three weeks I was in Boston.

And what I used to do is go down the corridors where the time we had like 100 people already at the company and kind of randomly walk into one of the cubicles and introduce myself because I didn't recognize all the people and ask, what are you working on? So people were like, oh, the CEO is asking, oh, my God. And I really was interested what they're working on. And when they did a nice job, I said, you did a nice job. When they didn't do a nice job, I said, you know, you can do better than that if we did this. And by the way, why didn't you talk to Joe? Joe is working on something very similar. The two of you should work together. And after a while, people got used to it.

And they actually were really angry if I didn't stop by and talk to them because they wanted me to stop by and talk to them. And I thought that it was good that they were angry at me if I didn't, because it means they felt like they're doing something every morning. Libby says, we are here to have fun. Okay? So, yes. Now, what do you mean, we have fun? What do I mean by have fun? Have fun is not. We organize parties and we go on trips and all of that stuff. That's okay. But have fun means you really enjoy what you're doing. You get up in the morning and you say, gosh, you know, I can do this today and I can do that today. I'm going to check this and I'm going to check that.

It's just they enjoy what they are doing at work. Not around work, but at work. And how do you accomplish that? The way I do it is really simple. Each and every one of you, remember you're all different, right? So each and every one of you have skills that are just not in your job description. Some of us like to create spreadsheets and calculate things. Others like to draw. Other people like to talk on the phone. You know, it's just if they don't talk to people, they feel lonely and miserable. Other people, if you ask them to talk on the phone, they collapse and start crying. Okay? We're all different. I remember hiring a saleswoman, and in the interview, I asked her, you know, a sales job is to be on the phone. And she says, obviously, that's what I do all day long.

Okay, fine. Then she joins the company, and her sales are not great. And every time I look at her, she's never on the phone. So I go to her and I say, how come you're never on the phone? She says, oh, I prepare. You know, I prepare my pitch, I prepare. I look at the computer, and at the end I said, you just don't like talking on the phone, right? She says, yeah. I said, so what the hell are you doing in sales? So each and every one of us is different, and we have different skills and different things that we like. What I usually do is I watch what people do, not what they tell me what they do, because they don't lie on what they do because they think you're not going to notice. They don't lie there.

Then I think, okay, this person really likes to write. They're very good at writing stuff. So let's move a lot of the work. But he's not in marketing. I don't care. He's not in marketing. He likes to write. So let's have him write. And this person likes to be on the phone. Yeah, he's in engineering. So what? Let's just ask him to talk to customers, you know, and when you start mixing the work so that people do what they really like doing and you ignore kind of the rigid frames of their job description, you get a lot more done, a lot more fun, and you break a lot of the politics because you basically say, listen, I don't really care what your definition of your job description. I don't care about results.

And if we can get the results while people are happy, I'm fine with it. I don't care. Now, you obviously don't do stupid things, okay? But the more you attend to what people love doing, the better the results you get. And what's written in here is no politics. If anything ruins a company, it's politics. Politics usually start when you move from one person to two. That's when you start having politics. Some have politics even in one. My wife treats them usually, but that's the way we are, okay? Let's just be honest, okay? We're human beings. We have all kinds of issues. So you move from two to three. Politics is guaranteed you move from two to 20, you have politics. But if you really focus on telling people, the moment you start doing politics in here and you start talking about territorial, that's no.

Why should they do that? Because the moment you allow that to happen, it grows and it mushrooms. So when I hire people, I always look for the no ego. The way they talk. Is it me, me all the time or is it we, we. And do they talk about what they've accomplished or they talk about the project? They talk about what they were trying to do, the results of it, where the me and the we is kind of secondary. It's the project they're trying to do that is keeping them excited. When people tell me it's not my job, I ask them why it's not. Because it's not my job, that usually means it's not your job, that's kind of the end of it. So I'll start with the second point. I usually try to hire the top notch people. Why?

Because chances are they will be more successful. But usually top notch people, they expect top notch salaries. I tell

them in advance, listen, I'm going to pay average salaries for your job. But you know, I'm so. And I said that's what I can afford to pay because we have to be profitable. Now what happens is very interesting. There are two kinds of people. Those who will say, if I don't get that salary, I'm not going to come. And I say, well, that's the answer. Thank you so much. And they go to another company and they probably get more money. Or they say I really wanted more. But it seems like that this company is exciting. I've talked to a few people here. Everybody seems to be excited. The projects are interesting, okay, fine, are calm.

And those are the people that is pleasure to work with, for me at least. Okay. When people insist on the money, somehow we never hire them at the end. Because in my experience I always failed when I did that. But when I bring really smart people who are willing to get paid average, maybe slightly above average, it was always a very nice experience. Bonus plans. So another pet peeve. Why do people give bonuses or companies give bonuses? Honestly, I don't understand it. I just don't understand why companies give bonuses. It makes no sense. And I explain why it makes no sense. Usually the bonus plans contain two parameters, your performance and the company performance. Right? Okay, let's start with your performance. So end of the year and you had a \$20,000 bonus if you perform. So now you have A choice.

You can either give him the \$20,000 because you don't want to fight or insult or whatever, or you're going to have a very serious conversation about why you are not going to give the bonus. So it becomes contentious. And basically you're saying I need to fire you. That's the reality. You're just not a keeper. So fire the damn guy. Why do you need the bonus in order to force yourself to fire the person? If it is the company performance, that's another issue. So instead of bonus plan, I do profit sharing. What is the profit sharing? It's a really simple idea if there is a flag on the hill. Remember I tried to keep really simple concept as the flag on the heel. Number one in a successful company is profits. Number two is it's your team who built the company, not you.

So if the team managed to create a successful company making money, then they should participate in it. So we took 20% of the profits and we distributed among all the people of the company as basically a salary raise. When the company was doing well in the last four or five years of Zoom info, it was about 10 to 11 to 12% increase across the board for everybody in the company every year. That sent two very strong messages across the company. Number one is we care about profitability. So I was able to walk to anybody in the company and ask them, so how do you contribute to profitability? And you have only two answers. Either what you did increase the top line or what you do decrease the expense line.

If you don't fall into one of those two, then you have to ask yourself how can you do either up or down? But unless you can explain it, then maybe you should start looking in the mirror and figure out how you do that. So that was a very strong message that I didn't have to go and articulate. It was clear to everybody you have to contribute to profitability. Number two, people felt that they participate because the bonus was tied to something they can understand. Third, we did it on a quarterly basis. I won't bore you with all the details how we did it, but every quarter we distributed profit sharing. Remember that I said we moved the company meetings to once a quarter. So now there was a real reason for a quarterly meeting. And they looked at the financials like hawks. Like hawks.

I wanted to see the top line and sometimes they argued with me about the expenses. But everybody became a financier. They wanted to understand the financials of the company, which was great, which was wonderful. They really wanted to know where the Hell, the money goes because maybe it should go to their pocket instead of to this idiot. Sorry, not you there. Okay? And it was really good because now I have everybody sitting with me making that decision. Not just me against them, but them with me making the decision, how can we save money? And a lot of people came to me with ideas how to save money, how to sell more and everything like that. Because now we made everybody to be a partner in the company. And everybody remember transparency, so they can see everything except salaries.

So they can ask me, how much did we spend on these trade shows? And I can tell them how much we spent on the trade show. And they said it was stupid. I was there. This wasn't worth the money. Okay, fair enough. You were there. This money, they felt the money is taken from their pocket, okay? So every penny that we spent was taken from their pocket. And that was a very good attitude. The funny thing is, obviously we had the famous Donna. I bring up many times, she was just in finance, but basically she ran the company and she was the center of gossip. So everything that went in the company, she knew. And anything that she thought was interesting, I knew. Okay, so who was dating whom, all that stuff.

The moment I show up in Boston, I get the summary of all the stories and like two, three days before the end of the

quarter, there will be a kind of a line in front of a cubicle asking, what is the profit sharing? You know, how much money is it going to be? This usually it was in percentages. Are we going to get 2%, 3%? What are we going to get every quarter? And she would be very delighted to say, I can't tell you that. Jonathan wants to announce it at the company meeting. You have to be at the company meeting. So that was like our ceremony. Every end of the quarter, the profit changes between the whole team or just the sales? Everybody in the company. Everybody in the company, including the cleaner. Everybody in the company because everybody contributes.

The cleaner kept the place clean. I find that when you really send this message that everybody is important and that everybody should participate and you explain how people buy into it if it's a bonus and the management somehow in their wisdom would decide everything, it just doesn't have the same effect. I think the transparency, the sharing and being very honest with people does have an impact. Okay, so how do you know? Remember, each one of us is different. So I think it is very important. And I did this several times to write for yourself as explicit as possible. What are your leadership? What is your leadership style and values? What are you good at and when you are not good at and it's not that simple. Why? Because of what I wrote in here. We all lie.

What do I mean by we all lie? I've never met a person that described to me themselves the way I saw them. It's just unbelievable. Okay, There are people who walk like this and I think they are, but they're like, oh, I saved the world. And there are people that, yeah, you know, I tried to do this, I'm not sure about this, I'm not this. And they really moved mountains, you know, but they kind of very soft spoken. And one of my daughters says it's very different between men and women. You know, men walk into an interview and everything is like, I did this and I did that and when I was there I did X. When I move in that did the same thing, walks in, you know, I had the opportunity, they really helped me do this. And so I don't know.

But the main thing is the way I see myself is very different than the way other people see me. The example I always bring is I think I'm not organized. I walk into a new office or at home and I have a very nice clean desk with monitor and a keyboard. Then paper starts to pile up. Stop laughing there, okay? It starts to pile up over years. I'm not talking about a week, okay? It's just piles up and I keep pushing it so that I have a place for the keyboard. And it's like archaeology, it's by layers, you know. So obviously paper from three years ago is lower than paper from two years ago and from one year ago. And so I take it to mean that I'm not organized, you know, I can't really file anything.

Other people say that I'm so organized, you know, that I'm on top of things. I know exactly everything and I remember the details and it's definitely not the way I think about myself. And Libra over there believes that I'm very organized. So it's always good to ask other people. That's kind of the bottom line. But once you understand that, you have to do two things. Number one is tell people what you think are your strengths and weaknesses so that they don't think it's against them. Something that you do. And more importantly, you have to figure out how to make up for the weaknesses, because we all have weaknesses. And so what you have to do is kind of say, these are the things I don't like doing, I'm not good at doing. But they have to be done.

So you hire somebody or you ask somebody to help you to take over the things you are not good at. I'm tremendously fortunate to have Libby and Ayala who work with me and help me and on purpose, they do the things that I know I'm going to fail, and I tell them in advance, listen, this is where I'm going to fail. Your job is to make sure I don't fail here, okay? Because I just don't have patience for it or I don't notice it or whatever it is. So you have to make up for my difficulties in order to do. I mean, Libby talks to people. I don't like talking to people, except if it's in a big crowd and they don't answer back. And Ayala is making sure that everything is organized. If you think I'm organized, well, forget it.

Ayala, Nothing escapes her. So it keeps the place going. That's about as simple as it. Yes, that's a good question. When the company was small, I did it when the company grew and I couldn't sit with 100 people or 120 people or whatever it was. As the company grew, I started, for example, when I showed up in Boston, one of the first meetings I had, they would organize all the new people. They joined the company from my last time and we had a roundtable to make introductions and tell me what they do and talk about it. Unfortunately, they didn't last long. And mainly because I don't remember names and people. So it became embarrassing because I meet with them and two hours later I see them in the corridor and I couldn't remember their names. So it became a problem.

But what I instead of the data is random. So I would just walk in and talk to people randomly. And that was good enough because people felt that I really care and I did care. Any more questions? Yeah. Imagine that you are doing mix and match according to people's abilities and not like their job description. It makes sense when it startup was. When it's a big company, how you manage this. Very good question. So what happens is, and I'll get to it later on, that

there are. There are many jobs that you believe needs to have a person to do them and a specific person. My pet peeve is product manager. Okay. In my companies, there was never a product manager. Why there was no product manager?

Because I found it to be something that person was supposedly the bridge between the customer and the developer. Supposedly. But he didn't understand the customer and he didn't understand the developer. So that created a lot of issues. So I asked that the engineers will talk to customers. But engineers don't like talking, okay? So I tried to find those engineers that were okay with talking to customers, and I asked them to. I didn't tell them you're a product manager. I just asked them to be the ones talking to customers, okay? And usually it worked much better that, you know, it's not that complicated and, you know, the big vision usually came from me and so forth. But there are a lot of product managers. I never understood what they were doing. The same goes for designers.

You have to move the button 2 pixels to the left. Who gives a shit, honestly? But they sit there, they slow things down, they keep fighting. Should it be gray or yellow? Gray or waste of time? You just look at the engineers and you say, guys, who here feels okay with designing whatever it is? And usually somebody raises and says, okay, you help all the others. So that's what I did. It's not critical, but try to eliminate all the jobs that are just in between the translators along the way. Because it's like the phone game, you know, you sit in a circle and everybody whispers to the other person. And when it comes back, it has nothing to do with what you said. Same happen in companies all the time. And you try, you know, do I have a solution? No, it's people.

I don't have solutions. But you try at least. Other questions? Yes, one. What do you think, Jonathan, about the Magenta company? No. Where is everything is transparent? Also Saturdays and even where the co workers, employers, employees participating in salaries of each other. Okay, I'll explain to you what I think about it. I think it is a disaster. I think it's a disaster because transparency and invasion of privacy are not the same thing. There areas in your life where you really don't want everybody to participate. So it should be somewhere here. For example, if I sat at a meeting and somebody was saying something stupid. Now I know of managers who say, what is this? This is stupid. Why do you say that? Or you know, you're wrong. You're absolutely wrong. How did you say that?

tried really hard never to say that because you really ruined the person at that moment. So what I did in those cases is I just wrote a note to myself and after the meeting I sat down with the person, said, why did you say that? And try to understand. I'll give you an example, okay? One day I came to the company and I heard a rumor through Donna, obviously, that a guy was falling asleep on the keyboard and another guy kind of walked around and called everybody to come and see him, you know, sleeping on the keyboard. And it became really ugly, the whole thing. There was a whole. People were going around and laughing at the guy and so forth. And I was very angry about it.

called, you know, all the people who were around and I said, listen, guys, I understand that it made you laugh at this guy, but it's just not the way to behave. I don't know what happened to him. He might have been tired, he might have been sick, whatever it is. Now that you made fun of him in public, he doesn't have a standing anymore. You can't do that. It's just there are things that you have to keep quiet because you're dealing with people. So I don't think that people need to decide on other people's salary. It's way too loaded because you have to be angel, literally angel with wings and everything, to talk about your salary. When I'm thinking about my salary. So you can't really be objective and look at it and say, yeah, he deserves that.

I'll get to the momentous issues of salaries. They are complicated, but I don't think that the whole company needs to be involved in it. I don't believe that people do 360 and tell you, yeah, I know. Here, you see, they tell me that I should stop talking. Finally. I don't believe in the 360 and everybody giving you opinion and doing it in a very big way. It just doesn't work in my mind. It just, it just doesn't work. Why? Because we're complicated. If you ask me about hr, I'll answer you. I never had HR in my companies. That position was always empty. I have a recruiter, but not hr, which is very different. Donna was the hr. Why? Because she used to scream at people, but she was cute. So everybody took it okay, but.

So the real issues came to me because they would scream at Donna would come to me. But the moment you have an hr, people feel that they need to complain because there is an HR and the HR is going around. How do you feel, guys? What do you think? Blah, blah. And before long you have problems. So I had a recruiter. Never had hr. Never. But again, remember, I'm talking about me. I'm not saying that you should not have hr. I'm just saying for me it worked really well not having HR. We were a 200 person company, no HR. Nothing happened. People were happy. I think that's how it works. Companies are complex and each one of them will look different.

As I said before, look in the mirror, ask other people and try to build it in a way that you will love it. And hire the people that also love it. If they don't love it, fire them and they will do great. As I did before. Right. Okay. Okay. I was told to stop finally. Right, so we're going to talk about co founders. When you guys worked at the company or started a company, did you. Were you at companies where there was no co founder? Yeah. Did you raise your hand? No. So it seems like co founders are the thing that everybody's doing. So you start a company, you have co founders. How many co founders? So just to have the core means at least one, right? But many companies have more than one co founder. They have two or three.

So that means if they have four co founders, the person who started the company have to begin with just 25% of the company, not 100%. And that is very simple math. No need for a PhD degree. The question that I keep asking is why do you have co founders? And this is a question for you. Why do you have co founders? Fear. Fear. What fear? Failure. Okay. Fear of the confidence. Lack of confidence. Lack of ability. What else? Complementary capabilities. Okay, what else? First employee that doesn't cost money. Okay. It's the most expensive one you ever took. Yeah, right. You are laughing. You know what I'm talking about, right? Okay, I want to answer your question or your comment. You know, complimenting. How do you know they compliment you?

Because now, from the point of view of me as an Indian investor, many times people come to me and they're like three co founders. And like their clones of funds one another, they're all the same. At least two. One should be making the product and one should be selling. Right now you are three engineers. You all work at the same company. Redundancy. Exactly. Okay, so it's not the cheapest one you can ever have. Right. Because it cost you a lot of money later on. And I will not disclose your story. Definitely you really want to have complementary. But as you said, likely they are coming from the same company. They were sitting one next to the other as two engineers or three engineers and they're afraid of the phone. So the answer is really what was said at the beginning. You feel lonely.

And even beyond that, when you go to raise money from venture capital, they say, where's the team? Where's the team? Only you. We're not going to invest in a single person, but the question, of course is how do you choose your co founder? So how do you choose your co founder? Oh no, you listen to me. Try to. Anybody knows how you choose a co founder. Complimentary. Like choosing your wife or husband. No, your wife. You have sex. Excuse me, but co founder, you don't. Okay. How do you choose your co founder? Based on his experience in what? In the complementary skills. He speaks softly. Like you said, I wasn't sure, you know, how did you choose Moti Blast? Okay, so. And here is the killer question. Would you do it again? No, I have the quick question. Would you do it again?

That's the most important question I know. I found that sold their company for. For many millions of dollars and six months later started a new company. So they did choose again. There are people who get married and stay married for 50 years. There are not all of them get divorced. So I'll tell you my story because at the end all I can share with you is personal stories. So when I started my first company, I actually didn't want to start my first company. I was at one in my time. I did my master's degree in algorithms and I wanted to do a PhD. I was already talking to my professor and professor Evan Shimon. Evan, really nice guy. And were discussing my PhD and then Shlomo de Vrat, you know who Shlomo de Voit is.

So he was in the army with me and he said, let's go and start a company now. I didn't want to do that. So he arranged a meeting for me with Mr. Aharon Dovrat, who was the CEO of Clal. Klal was the biggest conglomerate in Israel. He was at the top floor of the Clal building and had a huge office about the size of this entire area with a huge marble roundtable. And he gave me a cigar and champagne and explained to me that I can always do a PhD, but to start a company with his son would be something else. So it's just a joke? No. Anyway, he convinced me to give it a try and we started the company with five co founders and fairly rapidly, two of them, one of them left to a Shiva.

And then we remained four, Shlomo and me and two more. And then Shlomo got a present for his wedding. His father gave him a half a million dollar. So he wanted to put it in the company and he wanted to invest like an investor, which basically would reduce our share to, I don't know, a few percent. And I started seeing that maybe me and Aaron dovrat are not exactly sitting at the same table. So remember I said, you need some, they will fit. So that was clear. So we parted ways. So we became three. It's like the little midget, they fall along the way. So we started the company, the three of us. The only problem was that in our minds, each one of us was the CEO.

I had the title, but that didn't matter at all to the other two because they believed they can and want to be the CEO. So the company had three CEOs. You're laughing, right? I'm just telling you the story the way it is. And it is not so unique and it's not embarrassing, it's just the way it is. So to make a long story short, it didn't last long. So when I left Roche,

that was Roche Intelligence Systems and started my next company, I said, my co founder is my wife. And that's about it. That's the only partner. I'm going to go with it to life. The rest of it I'll do myself. And I, since then, don't believe in co founders. When I talk about co founder, I have to clarify something.

I actually have a lot of co founders, Ayala Libby, because I treat them really in all my heart as co founders, as people who really carry the load with me. But it's different. It's clear to them and to me. I am the CEO. There's no question about it. I make the decisions. That doesn't mean I get all the glory. That doesn't mean that I'm deciding without talking. But it's very different. And second, I pay the bills. So if I pay the bills, it's clear who pays the bills. So it's not the same. It's just not the same. So when I talk about co founders, I mean about three people that believe they are, each one of them have the same power and they don't work together well. So what is the alternative? I agree with you.

You don't want to be lonely and so forth. So my suggestion to people is instead of finding what I usually call the cousin of your neighbor, which is you look for somebody to go with you and you kind of randomly pick somebody that agrees to come and work for free. Your chances of raising \$100,000 or \$200,000 from somebody is as much or as good as finding a co founder. The only difference is this is very versatile. Money in the bank is extremely versatile. A co founder is not. So when you have money in the bank and you go and you hire your co founder and you gave him a salary. There's no question who runs the company. And if you find out that it's the wrong co founder, you just fire him or her. That's as simple as that.

So you don't have to be alone, you don't have to be lonely. But the first co founder you want is an investor. That's my advice to everybody. Go and find somebody who will give you as much money as you can, convince them to give you 100,000, 250, whatever it is. And that's where you start your company. And from then on, you hire people. You're still diluted by the amount that you gave, which is usually tens of percent. Wait a minute. You take a co founder, one co founder, how much are you diluted? Okay, you got the answer right, because you argue with the investor. No, the pre money valuation should be 2 million, which is bullshit. You're worth about a dollar. Okay? But you argue about it. So you get diluted 20%, 25%.

That's what you get diluted, which is way better than a co founder. And it's much easier to get rid of them. And getting rid of your investor also, it's very simple and it's very clear. You pay them the money back, they go out. You can't do that with a co founder. As you know. Sorry that I keep sending hints. Right. You know, life is hard. Okay? So that's my advice to everybody here. If you ever want to start a company and you feel lonely, go and find angel investor. Would you consider a cold investor? One that is not from the industry? Absolutely. You don't want somebody from the industry. You want somebody with money and you want somebody who understands startups. You don't want a contractor or, you know. No, no, no.

You want somebody that understand that the chances of success are not huge. Okay. But you don't need somebody that really focuses on your area. It's not. There are plenty of angel investors. Okay, team size. So how big should be your team? Zero. No, one. You? One. Okay, zero doesn't work because you divide by zero, it become infinity. So don't. But can I tell about you? Okay, so Danielle had the nice experience of firing everybody in her company. So she showed up here. She showed up here with a team of one. And then we worked on something and. Because the team of one means that, you know, this hour she's doing that job and that hour she's doing this job.

And then she came to me and she said, I don't know this job took me two hours, and the person who used to do it complained all the time that it's so much work. I don't understand what she was doing. Right? So when you have a big team, you don't really know how much unemployment there is there, you know? So it's not a bad idea, as the lonely founder, to keep doing all the things, because what you learn along the way will serve you for life. So a team of one is totally great. Second, terra incognitas, just to show you. I know Latin or unknown territory, or they used to call Africa. If you look at maps of Africa in the beginning of the 19th century.

So they show the shoreline, and then there will be a big white space in the middle because no white person was in the middle ever. And then they divided it and did horrible things. So it's unknown territory. You go out, you have really no idea what you're doing. So you don't want to carry a lot of stuff on your back because you need time to experiment. It's really important. When you start a new company, the chances are you really don't know what you're doing. Not because you're an idiot, but because you've never done it. Even if you are from the industry, it's different. And the only way to find out is to start experimenting. Okay, what is your available time? So your available time, remember I said the language of business is money? You can do equations.

Here's the first equation I wanted to show you. The available time you have is the money you have in the bank divided

by your monthly expense, $F = MA$. Really simple, okay? If you have \$100,000 in the bank and you spend \$100,000 a month, don't even get out of bed because it's done. Okay? But if you have \$200,000 in the bank and you spend \$10,000 a month, you have 20 months, which is good amount of time to figure out what you're doing. So always remember that this is one of the most important equations in business. If you don't have any income, that's the equation. If you have income, it's a little bit more complicated, but not by much. You need time. Much more important than money. You need time because it takes a long time to figure out what you do.

I'm working on Smart App for two years already, Libby. Right. And we still don't know what we're doing, kind of. Right. It takes time. That's all. What we know is what you always say. We know the vision and we know what we do for the next week that we know. Yes, absolutely. It's difficult, okay? You create something that you haven't done before, maybe the world didn't do before. So it's difficult. And when I talk about your monthly expense, 70 to 80% of it is salaries. So basically it's your team, that's your expense. Another very important point. Hiring is inflexible. You're dealing with people. You hire somebody, you're stuck with them. Getting a salary by law, by the way, it's a legal offense not to pay a salary. Seriously, you can get sued. No, it's not funny. Really.

You get sued if you don't pay salaries. Okay, so it's a long term expense. And if you want to fire the person, you need to have a *shimua*, which means you kind of have to pay salary for two months even if you hate the person and it doesn't show up to work. And the order by which you hire people also is critical because every person you hired is from now on, or from then on your payroll. You can't change it. So do you hire engineers to build a prototype or do you start branding first? Now you clearly understand why I keep talking about branding first. Because you keep adding expense. Every person is a fixed expense every month. It's rigid. You can't play with it. So don't hire people unless you really, really need them. Okay?

Daniel just hired one person after like three months and I came here with 10. You came with 10? Yes. Okay. Because it just doesn't make sense when you think about it. Non emotionally, you just say, if I want to be here, what do I need to do? The answer is you start by yourself. That's the answer. And you start first of all, branding, marketing and sales before you do anything else. Because there is a good chance you will find that it's much more difficult to do than you thought. And having a prototype doesn't make any difference. Nothing? Zero. So if you need to add expenses, add them in sales and marketing. So what are the laws about team size? And luckily many people researched it and there are rules. So Parkinson's laws. Work will expand to fill the time allotted for its completion.

Which means if you have a day and you have a job that needs to be done in the day, it will take you a day. Or as my mother would use to say, that's the hard boiled egg for Shabbat. And I explain, my mother started cooking for Shabbat on Wednesday. So she worked on Wednesday and Thursday by Thursday she had the entire meal for Shabbat except for the hard boiled egg. Why? I don't know. Then Friday was devoted to do the hard boiled egg and comes Shabbat and there was no hard boiled egg because she didn't have time to do it on Friday. So every Shabbat we had the joke, where's the hard boiled egg? Oh, I forgot about it, I didn't have time, or whatever it is. And she called it the hard boiled egg problem. Okay?

So that's it doesn't matter how difficult or short the job is. If you have a day to do it will take you a day to do. If you don't have time, it will take you five minutes. You know the famous saying, if you get you want a job done, give it to the busiest person. Right? You recognize that statement? And the reason is the busiest person is just the person that is organized to get the job done. That's all. That's why he's busy. So never forget that. So if you have 10 people, chances are they just don't work. They kind of keep busy, they talk, they do things, but they don't produce measurable results. Second, in every organization, people promote themselves by hiring a team to do their job. When you can't go up, you build down.

I'll explain because this is a profound insight. Not mine. Parking zone. You work in an organization. He did his research on the British Admiralty, the Navy. And what he wanted to check is the correlation between getting the job done and the number of people doing the job. And he was trying to do a research on long periods of time. He figured out that the British Navy is a very good long time. From the times of Nelson, Admiral Nelson, till today, 200 years, 250 years where the British Empire was built. We can check it because the British Empire was built on the Navy. That's how they got all around the world. What he measured was two parameters. How many people worked on ships and how many people worked on land. Remember, this is the Navy.

So you expect the people in the Navy to be on a ship for some bizarre reasons. So when they started, they probably have about one person on land for every 10 people on ships. And everything was great. By the time in the 1950s or 1960s when he measured again, it was totally like 100 people on shore and one person on a boat. Why? Because

that's the way it works in every bureaucracy and in every administration. But he asked a really interesting question. Why? And that's where the profound insight came. We all know the Outcome. But why is it happening? So here's the story. You enter any office and you're doing a good job. So you want to get promoted. But you have a boss. He's young, he's happy, and he's not going anywhere. So you can't really move up because he sits there.

So you have a few choices. You can murder him. Highly unrecommended. Okay, you can quit and go to another place. Yeah, but it's a nice job. Or you can build a department under you, right? So you can promote yourself not up, but down. So you start complaining that there's so much work. You know, I just, you know, we need two more people here to do my job. Right. So you have two people. Now you're laughing. That's the way it works, literally in every organization. And there is a psychological reason, because people want to get promoted. The top is blocked, the bottom is endless. It's endless in an organization. They don't try to be profitable. It's literally endless. Government, Phew. So what do they do? They expand the work to fill the day. You need to move the same form. It goes around and around.

If you think it happens only in the government, you are wrong. It happens in every company. The moment the company gets to a certain size, that's exactly the same thing that happens. It's much easier to grow down than to grow up. Price is low. Again, some Math. This price, Mr. Price was working as a researcher. I don't remember this subject he was researching. But at the time when he did the research, which was like 20, 25 years ago, they started to evaluate scientific publications by the number of quotes, how many times people were referring to this article. Obviously, the higher the number of mentions that people referred to this article, probably the better the article. There started to be databases, very detailed databases that look at every single article that was published and how many people it was referenced and by whom and where.

Because obviously being referenced in Nature magazine is better than being published in the Ranana Science Journal. So clearly you want it to be mentioned in those places. So then, out of curiosity, he asked himself, let's look at the distribution of results. So he took a subject and he realized that There were about 1,000 articles about this subject. And these thousand articles were written by 100 different writers altogether. Then he asked himself, what are the people who wrote many articles? To his utter surprise, he discovered if there were 1,000 articles and 100 writers, then the square root of the number of writers, which is 10, wrote half of the article. So 10 people did 50% of the work. The other 90 did 50% of the work. Square root. Remember, that means that the efficiency of this is horrible.

f you fire the other 90, you still get 50% of the work done by the 10% of the cost. That's basically the 8020 rule, which was done by Mr. Pareto. Okay? Pareto is a name of a person. So it happens in every single job. The 8020 rules or the Price law, which means if you start building a company and you don't want to build something under you, and you don't want to measure your success by the number of people working for you, but you really want to get the job done, focus on getting the job done. And you can do it with a very small number of highly talented people. And I have rules to prove that I'm right. They have nice names. And Jonathan's Law, it's called Parkinson Law and Price's Law, but it's really important.

So small teams are far more productive and efficient. More people does not mean faster results. So I'll give you another insight. You have an engineer, and he's doing a really good job, but there's more work than one engineer can do. You bring another engineer, and the two of them sit in the same cubicle and they start working. Yes. You know the story. The two of them become really good friends, and they work like a team. And it's enough that one of them raises their finger, the other one knows exactly what he wants to do. And that's like phenomenal. So one plus one equal two and a half works really well. So now they say how? Okay, the boss says, it seems like you guys are really doing a good job. Why don't we hire more people here?

Because it seems like you really know what you're doing. So they bring a third person. Now, three people. Wait a minute. Three people is a team. Who is going to manage these three people? So let's make one of them a team lead. So right there you have friction about three people. Each one of them wanted to be the team lead, and the two that didn't get it are now angry. But doesn't matter. Let's just pass it. But the team lead now thinks I'm a team lead. So as a team lead, what do I need to do? Clearly, we need to have team meetings. Remember before that they just kind of whisper, what do I do here? Done. But we have team meetings. So we have team meetings. Wait a minute.

There are other team leads in the organization, so we need to have a Meeting of the team leaders. Now the team leaders want to become promoted and so forth and so on. Before you know it, the whole organization start dealing with itself instead of with the productivity. And it happens in every single organization. It's just a side effect of growing your team. And it's very difficult not to fall into that trap. Very, very difficult. I thought, yes, yes. You avoid it as much as

you can. So if you are successful, eventually you have a company. So you do what I did. I sold it and moved on. No, I'm joking. What do you do? It's not easy. I. That was one of the biggest issues I dealt with all the time. How do you grow the organization without growing the bureaucracy? It's.

It's not simple, but it can be done. If you're focused on it can be done, but you really have to resist. People say, oh, you know, I'm managing too many people. I don't have time for this. I don't have time for that. And you basically tell them, just stop managing. Okay, delegate. Hire smart people. Let them work. That's. I said, you know, you have to hire the right people. And it's very difficult to figure out who are the right people. I stopped about it for an hour and a half, or I started by saying, people are the biggest problem of a company. I don't have miracle solutions, but at least I can present the problems. These are real problems. They happen in every organization. My solution is the third point. Smart people can be multidisciplinary.

So the fact that somebody is an engineer doesn't mean that's the only thing he knows or she knows how to do in life. They have other talents as well. Some of them really like to design what's on the screen. Some of them really like to talk to people, and they can talk to people. Some of them like to do QA. I know some people like that. So they enjoy finding bugs of other people work. People are multidisciplinary. They like doing things that are not just the piece of code they need to write or the article they need to write. And if you keep talking to them and find out what else they like to do, you can start spreading the work among them. Is it solving all the problems? No.

But one of the biggest missions I had in my companies was to keep the team small. I know it sounds foolish, but that's the way it is. One of my biggest joys was, you know, when people were raising money like crazy and I met somebody and I said, so how is it going Unbelievable. We grew like crazy, you know, we're growing so fast. I said, what do you mean? He said, we used to be 50 people last month and we are now 100 people. And I said, okay, that's about one month before you shut down because you bring 50 new people to the company. You don't know their names, they don't know each one. It's going to be a disaster. But they felt they were successful because they hired, they doubled the organization in one month. It's a huge success.

I look at it as a huge disaster. But that's the way people look at growth. The more people I have, the more successful I am. And they don't remember this. Where is the equation I put there? This one. You know, available time is money in the bank divided by your expenses. They didn't understand that if you hire another 50 people, your money will not last long. That means you have to be raising money again. Okay, let's move on. Then there is the hidden structure, which relates also to the point above. So every company has an org chart. That's the official structure of the company. There's the CEO, there are the VPs, the director level, the manager level. It always looks like a tree. But in reality, that's not the way companies work. The way they work is they have actual influences.

There's a very interesting research was done by MIT. What they did is they put an Archie tag on people's clothing so that when they got closer together, they started to exchange messages, which I'm now talking to you or you're talking to me. So they figure out where people spend their time, who they're talking to outside of the org chart. What they discovered was that the influences, the people that other people like to come and talk to them, were very different than the official org chart, especially, let's say, in our company. Remember the famous Donna? Everybody in the company talked to her at least once a week. Why? Because she was funny and she knew all the gossip and she had a very sharp tongue. So you usually came out with some wisdom about you that you didn't like, but it was funny.

Okay, so everybody talked to her. Why? I don't know. Nobody talked to her, including me. We had somebody in engineering, and she was very good. She still is there. And she came in with one condition. I don't want to be a manager. She said, I don't want to be a manager. I don't want a responsibility. And she was the hub of the engineers because she's very smart, she's very Cute. And people would come to her for advice, real advice, you know, and she would sit with them and help them and build things and do things. And she was a big hub. And she said, I don't want to be a manager. Don't make me a manager. Why? What a waste of time. What a waste of time. She says, running in meetings and all of that. I have to do planning.

I don't want it. I just do my job. And she's really great. So there's always this organization, different chart. A good manager tries to figure it out and leverage it because somehow this represents the skill set much better than anything in your org chart. People know who can help them, people know who can do what to whom. And if you just follow these hidden actual influences, you can improve the efficiency of your organization. And everybody is happy. That's the beautiful thing about it. Because they already, you know, going to this person, all you have to do is give that person responsibility for the things that people anyway come and talk to him about or her, which goes to this.

Leverage the people you have before you hire more. Or my conclusion, if it wasn't clear until now, hire as few people as possible.

Remember, you need to be profitable. You need time to build your company. Hire as few people as possible. Every person adds overhead. As I said before, you have two people, you add another person. Now he's a team lead. Blah, blah, blah, blah. You have 20 people, you need an HR function, right? You need to have annual reviews, you need to have blah, blah, blah, blah, blah. People create work around them. As I said before, ignore titles, shift tasks around, give people tasks they enjoy doing. Literally. Keep a very flat organization, very fluid, dynamic organization. It sounds like a disaster. It works for me. Okay, I'm again talking from my own perspective. Other managers will behave differently, but it has to work with your personality. What happens if you have somebody that doesn't fit what you want?

Act swiftly because you have to terminate them and you rather terminate them. Easy now. How do you get the know how? So in many cases you bring people that don't have the specific know how are you going to hire a person with the know how? My system is, there is know how. That doesn't mean you need to hire that person. You can get the know how without hiring the person. How you bring them, you know, on an hourly basis, even if they charge you \$500 an hour. In many cases, it's much cheaper than hiring a person. All you need to do is find out the people that really have the know how and that you want to work with them. For example, SEO. SEO is a fairly complex subject because it keeps changing because Google keeps changing how they build their algorithm.

So we work with a person at Zoom. His name is Aviram. And I think he really understands the job. And so we bring him over to meetings, he comes once a month, meet with the people, and we pay him 300 shekels an hour. And in two hours he give us so much information and so much insights. It's just unbelievable. And we do that in a lot of other subjects. You don't need to hire these people even if you think it's really important. In most cases they can give you the know how and somebody internal is going to implement it. Same goes for advisory panels. So a great resource are retired people. Nowadays, the age of retirement and the age that people stop functioning are about 20 years apart. So you're 67. In most cases you retire. Let's say you're 70, you retire.

Do I look like somebody who is about to die next week? I hope not. So these are people that still can contribute for the next 10 years. They have a lot of information, a lot of knowledge, a lot of know how and they will be happy to work with you and contribute. And they don't want a lot of money because they are bored. Okay, hiring. Before I start going into hiring, I have to admit, as I already said it about 100 times this meeting, I don't know how to hire. I just don't. My brother also had a fairly big company and his story was that he hired a person for a specific job. That person was perfect. Just had the right experience, the right Persona, the right presence, everything. So they hired him.

Said a month later, I think that the person who shows up at work is not the person I hired. It must be somebody else. Because nothing of what I saw in the interview is with this person that shows up and happened to me many times. You just get really excited in the interview process. You really like what you hear, you think this is great. And then the person shows up and after a few weeks you say, this is not the person I interviewed. What happened? Okay, I don't have a solution. Don't misunderstand me. I'm just stating that what I'm talking about is probably what happens everywhere when people come at hr, they say we have a process that really gets the right people in the door. No, but you have a solution.

Because you mentioned before that if you have the option to work with someone on an hourly basis, maybe as a freelancer or something like that, and to test it on three months. You're right, but that's only if that person is available. A lot of companies, a lot of companies try to pull people out of competitors try to pull people out of anywhere. It's just hard. I mean, I don't have solutions. I'm just all I'm trying to say why? I want to say keep a small team because smaller team means you need to do less hiring so you make less mistakes. That's all. It's really as simple as that. Okay. Okay. What I'm looking is at least I define to myself what I'm looking for. So I'm looking for three things. And again, can I guarantee that I get what I'm defining in here? No.

But I'm looking for three elements. Number one, very smart. A lot of very smart people get bored very quickly. So you give them a problem, they think about it and then they move on. What do you mean move on? They solved it in their head, so it's not interesting anymore. Nothing happened in your company. Okay, but they solved it. They're already on to the next thing. I hired enough PhDs to fill in a university. I fired more of them. It's like they come in, they're really smart, they look at the problem, they dig into it, and then they move on. And you say, what happened? And they say, I solved the problem. And I say, where are the results? He said, oh, for that to bring an engineer, you know, it's not interesting anymore. So I want people who focused on results.

don't care whether you solved it or not. Show me that it works. And again, I'm looking for people that do it inherently for themselves, not for me. They don't think they solved it until they see it in their own eyes working. So it's the quality of the person, not the way I manage. The quality of the person is very smart and results oriented. They only care about results and they have no ego. No ego means they do the work because they enjoy doing it. That's what give them the satisfaction. Not the promotion, not the ego, not I, I, I. It's just they want to do the thing, that's what they want to do in life. Then you get great results. Very hard to find them. If I haven't made it clear until now, I think I'm repeating myself. Right.

It's the most complex problem you're trying to do and it's a multi dimensional. Why? Because you want somebody with the Skills, the brains, the experience, the personality, the attitude, salary, expectation, commitment, yada, yada. Y. By the time you are done with the list, you're left with no candidates. Yes. When were you happy with the people you were hired? Very simple. I hired and fired and hired and was excited. That's it. Number three. Always number three. So I wish I could get to number three before I go and do number one. Number two. No, I'm serious. It's just a trial and error, trial and it's great. And you love the person and you're doing great things together. Hard to predict. I'm actually talking to the person who was the co founder of ZoomInfo in the year 2000.

He was the CTO, engineer, whatever you want to do. We were two people building the company. And so he's done great since then and called me about a year ago saying maybe can do something together. Then decided that he's in Boston, I'm here. He went to another direction. He called me the other day and said, let's talk. Because we worked really well together and we did great things. So it's who would you hire? So I gave you two options. An experienced person who did this specific job you need two or three times already. So you interview the guy and he says, yeah, Company X, I did that. And company Y, I did exactly the same thing. I know exactly what you want and I can do it for you or the up and comer.

So he says, I wanted to do that, what you need, but I had a boss and he was sitting there, remember? So instead of building underneath, I just left and. And I would love to get that job. I want to move to the next level. I was a manager, I want to be a director. Who would you hire? The experienced person or the up and comer? The hungry one. The hungry one. What about this experience? Usually if you did the same job three times, you would be bored. Smart and bored. Peter's principle. In an organization, every employee tends to rise to his level of incompetence. What does that mean?

You get at the entry level, you're doing a really great job, so you get promoted, you're doing a great job, you get promoted, you're doing a great job, you get promoted, you are doing a lousy job, you don't get fired, you just get stuck there. That's it. So there is a good chance that the people in the higher echelons are the failures. Totally counterintuitive, but that's exactly what Happens. So when I look at the resume and I see the person doing three or four jobs basically at the same level, that's the answer. That's their level of incompetence. So why do I want to hire them? You answered exactly right. So remember that. That's another Peter principle. I told you about Parkinson, I told you about Price, I told you about Peter. So at least I have big guys to stand under.

Okay, Another hiring dilemma. A person with 20 year experience who wants a high salary or a person with much less experience at a much lower salary. Well, the problem with the higher paid person many times is he's already at a stage in his career that he just doesn't want to do the work. So for 80,000 shekels a month, he wants to manage, he doesn't want to work anymore. So he might present himself as, yes, I'm a great engineer, but in reality he wants to be a manager. So he keeps hiring more people. So chances are, if you see a person like that, unless you really know that person very well and you work with him, you're going to get into this situation. And as I said before, you can get outside advice from people. Okay, let's move on. So how?

Well salaries match a person's performance. Does a higher salary make a person work harder? All of you say no. So why do we pay them a higher salary? So you don't hire them. What I found is that salary is not a motivator. Okay, so people feel that if I give a bonus, I give more salary, people will work harder. In reality, never works, the opposite does happen. So if you take a person that can make, let's say 40,000 shekels a month and you convince them to come and work for 25,000 shekels a month at your company, there's a good chance that will become a demotivator because they have to scale down their expenses at home. It causes a lot of friction. It's difficult. So taking a person and not giving them what they need is a huge demotivator.

Taking a person who made 25,000 and giving them 40 is not a motivation because two weeks later they assume that's the salary they deserve to get. And now they want 45. So you have to be very careful about this. So I have seen

people try to do the 100%, but they can't afford the salary and they start inventing all kinds of crazy ideas. You know, if you do these KPIs, we'll give you this, we'll give you that. It's just putting landmines along your way. Salary comparison again. One of the things I've learned the hard way is that there are two kinds of comparisons. There is the salary that I can get somewhere in the environment and there is the salary that I get here. So let's take engineers as an example. But it applies everywhere.

So if an engineer says, you know, I am a full stack engineer, I have five years experience, I worked in all of these companies, I should make 35,000, okay? He goes to the company, he meets with me being a cheap guy, I say, I can't afford 35. I convinced the guy to make 30. But he says, I can make 35, I can make even 40. And I tell the person, you are right, but I pay average salaries. So if you want to work with Libby and Ayala, you have to be, you know, with 30. And okay, I convinced him to do. And he will not look outside anymore because he made a decision. He decided to stay. Then one day he discovers that the guy sitting and the cubicle next to him is making 45,000.

And in his mind, this guy is not as good an engineer as he is. That person will leave the company the following day. Happened to me. Why? Because now it's not a seller. It's an insult. It moved to be personal. What he can make outside is a vague concept. But if inside the company, he finds injustice in his mind, and blatant injustice, he sees that as an insult and he will live. Sorry for using a male all the time. Also the women will live. Where is the problem? The problem starts with something even more insidious. You have engineers, you pay them \$30,000 and you're dying for this engineer who knows Elasticsearch. And it's hard to find these elastic search people. So you finally find somebody and he wants \$50,000 and you're desperate, so you agree.

So you pay that person \$50,000, 50,000 shekels a month. And it turns out, like in most of my description, right, that he's an okay engineer. He maybe knows elastic, but he's an okay engineer, nothing too sophisticated. But now you're stuck with all your people making 30,001 of them making 50,000 and he's okay, he's not shining. You have two choices. You fire him and you shouldn't have hired him to begin with. He didn't do anything wrong. He's an engineer at the same level of your other engineers. So in the chimois, the only thing you can say is, I Made a mistake. Well, that's not a reason to fire me. You made a mistake, okay? I'm serious. That's the problem. You don't have a problem firing people who don't perform. That's easy. You don't have a problem firing people who don't show up for work.

That's easy. You have a problem firing people who are okay, they're okay. They're just not as good as you want them to be. You have no really objective good reason to fire the person. So that's one of the things I always was tremendously worried when people came to me and they wanted, you know, way above the average salary for that position in my company. I would say, listen, you're not going to cost me 50,000 instead of 30,000. You're going to cost it 200,000. He says, why? I said, Because I have 10 other people that I need to now raise their salary to 50. There's no way I can do that. There's no way. I'm sorry, I can't hire you. Because the day they discover that person made much more money than them is the day they start living. People are complex.

Now it's a personal insult. So that's why the salaries and the compensation is not transparent. That's what I just described. Okay, same goes for bonus plans I described before. What the problem with bonus plan. But there was one problem. Most bonus plans, the personal ones, not the company ones, are tied to KPI. If you accomplish this and this, remember, it's a year, it's annual plan, right? So you build KPIs for the whole year. But remember, we are a startup, okay? So we don't have experience. This is not the train or a bank that you have 30 years experience. You know what to expect. You really put these KPIs based on what you think right now you want to accomplish. But two months into it you are wiser and you want to change the plan. Happens all the time. All the time.

Now you can just go and say, we changed the plan. Okay? So I want you now to focus on that thing and you say, sure, so what do we want to accomplish? And you sit down and you make a decision and you move on and you're as happy as can be. But if your salary now depends on it, you say, wait a minute, I was working towards that KPI and I'm about two weeks before we launch X, which I'm going to make money on. You can't really change it. You just can't. My salary depends on it. So suddenly you take the flexibility of the company to move on with the flow to something rigid. You can't change because people salary depends on it. Every conversation become emotional and loaded. That's the insidious problem of bonus plans.

That's why I don't allow bonus plans in my companies. There are no personal bonuses, there is profit sharing. We're all tied to only one thing, making money. And when we make money, we share it. But we cannot build bonus plans. So when people come in and say, okay, you know, I can't pay you the 50,000 you want, but let's say if you release that product by that date, I'll give you 10,000 shekels. And if you do this, I'll give you that. And you start building these very complex plans to kind of avoid the salary issue. You're just building landmine after landmine. It's going to blow up in

your face. You know, you mentioned profit sharing and you stated it as a bonus. Not as a bonus, but as a raise in salary. But a raise in salary is something that's constant.

You don't reduce the salary. So why not have a yearly, I can call it bonus, but a profit share, that is just a one type of profit share the next year based on next year's profit share. Again, we do it like that. Except that the profit sharing as the name implies, it's not a bonus, it's a profit sharing. No profit, no sharing. The amount that is shared is linear with the profit. If you want, guys, I can show you how I build it. Because it's fairly sophisticated. No, no, it's not. But the way it is communicated. Because remember, how do you do profit sharing? Remember, let's say we made a million dollar. What does that mean to my pocket? You can't really talk about a million dollar profit and 50 people. It just doesn't.

So what we did is we said for every half a million, or a million depending on the stage of the company, for every half a million dollar during the year, each one of you will get 1% raise. Now we can count how much money we put in the bank. So we share that. Remember we had weekly, we have monthly meetings and quarterly meetings. So we showed them. But you said raise again. That's what confuses me. No, it's not a raise. You will get 1% of your salary as a bonus. Okay, but now you know what is the bonus? It's 1% of my salary. It was beyond that, because it was your salary, cumulative salary up to that time. So at the end of Q1, it was only a three month salary times 1% ended up being \$300, \$500.

People say that's not profit sharing, that's a joke. The following quarter, we already had a million and a half dollar in the bank. So it's 3%, but it's 3% on salary in the first half a year, six months. So suddenly instead of \$500, it was \$2,000. And people started to say, wow, that's really interesting. And the last quarter, which was always the full year salary and a lot more profit, they got a huge bonus. And people were like psyched, totally psyched. So it worked really well. It's just the way that the equations worked. But it wasn't guaranteed, it was how much money we put in the bank. And they can see morale. So people ask me, how do you keep morale in a company? And the answer is really simple. When the company does well, morale is high.

When the company does bad, the morale fails. That's about as simple as can be. You can try to talk about it and make all kinds of things, but people see through. If your company is not doing well, morale is high, is low. When the company is doing well, everybody is excited. So try to do well. People strive for attention. I talked about it. So my famous example is when you have a kid, 2 year old, 3 years old, the word that they say all the time is look ma, look dad, you know, look at what I'm doing, right? They want attention, total attention. Which is why we go crazy when we have little kids. Because they drive us nuts. Because they want full time attention. When we grow up, we still want full time attention, but it's impolite.

We behave like we don't want full time attention. But we do want full time attention. Never forget that. People want attention. I even know a prime minister who refuses to go because he wants attention all the time. And he's a grown up. So people want attention. So companies do Employees of the month. So we have Employee of the Month. So let me explain to you how Employee of the Month works. So you have 50 people in the company and you have three or four stars. Usually that's the number five stars, whatever. So the first month, it's really simple. You take the one that is really phenomenal, she is doing everything. She's phenomenal. So you give her Employee of the month and everybody claps and louds and so forth.

The second month is the Second star, and it's very simple to do, and you get very happy. Fifth month is the number five on your list. And it's very good. The six months you want to give again to the first employee because he's really or she is really a star. But you can't really give the employee of the month to the same person months after months, because the whole idea is to share it. But these are the only five people you really want to give it. So what do you do? You kind of scratch and find employee number six, and you find a reason to say you're doing a great job. And then employee number seven. And when you get to employee number 10, you kind of quietly discard the whole plan because it becomes ridiculous. Happens in every single company. Don't even start.

So forget employee of the month as morale booster because it's causing the other way around, public recognition. What can better than, guys, we just released our product. This was a great accomplishment. Great. Jeroen, you did a wonderful job. You did a wonderful job, and you ran the whole thing wonderfully. Okay? Everybody claps. And then after the meeting, she recounts to me, and he says, you know, I was so involved. You didn't even mention my name. I'm really insulted. How can you forget? I ran all the meetings. I did all the work, okay? So I learned it the hard way that when you mention people and you congratulate them in public, they remember it for about an hour. The person you forgot or neglected remembers it for life. So an hour or life. Very dangerous.

So in 2018, I sold the company and we had a nice ceremony. I wanted to. To give a speech and thank the people who work with me and so forth and so on. So I decided I'm going to avoid this pitfall. I'm going to be smart. So I went to Donna. Remember her? Right? And I said, donna, please do me a favor. Give me the list of all the people who were at the company at least 10 years or whatever the number was, and make sure not to make a mistake. This is going to be dangerous. Okay? So she figured it out. She went through all the employment agreements, figured it out. That's it. I got a list of like 15 or 20 people I don't remember.

And I said, and I really would like all the people, my co founders, who were with me for at least 10 years. And I read their names and so forth. All right, we finish this, we go to the buffet, and Donna comes to me and she says, john is furious. He is crying, and I'm like, why? What happened? And she said, you forgot to mention his name. I said, donna, sorry, but your job was to create the list. She said, on the list, he's less than 10 years. But. But remember that Zoominfo came out of Cart Scan. He used to work at cart scan 20 years ago. Okay, and then when you sold cart scan In 2006, you moved him to Zoominfo, so he clearly is the most tenured person you have in the company. And I'm like, how did you miss that?

He says, I looked at his employment agreement, and it says the year 2006 or whatever it was. And I talked to him afterwards. He was so insulted, you can't believe it. So public recognition is really dangerous. Be careful. Be careful. So what do you do? So I came up with a different solution. And the solution is called Night on Town. So what do you do when it's night on town? You go to Eyal and you say, eyal, you did a wonderful job on all the stuff you're doing. Really, I really appreciate it. Do me a favor. Take your wife or significant other and take her to the best restaurant in the next two weeks and bring me the invoice up to \$250. We pay. Just have a night on town. Thanks, I really appreciate it.

But do me a favor, keep it between you and your wife. Now, what happens? If I gave it to him as a bonus, he would start laughing at me because what do you mean, a bonus of \$250? That doesn't make any sense. It's too small for my contributions. So by doing that and keeping it quiet, other people don't get insulted because it's kind of between him and me. Second, I asked him to bring his wife or his significant other and to tell her, listen, you know, remember I came late so many times because I was working hard. The company recognized it. Third, chances are they are not going to spend usually \$250 in a restaurant that's a pretty good restaurant. They usually don't go. So it's kind of an event for them. So he goes, takes his wife. They really have a good time.

He brings the. The invoice. I pay him. Wow. He feels special, and I can do it every quarter. And he will feel attention, and it's quiet. Okay? So I used to do it a lot because it's small money, big impact, avoids the pitfalls. Hopefully sometimes didn't, but I tried at least. And so that's what I tried to do, which is recognize people Gives them something that other people who they care about, like their wife, their husband, their kids sometimes recognize that the company recognized it. As far as I'm containing most of my experiences, it didn't have the other side effects I described. As I said, leadership has the highest impact. The other thing is not always things go well. What do you do when things don't go well? At least in my experience, hiding it doesn't work. People know.

And the more you try to avoid talking about it, the bigger the issue becomes, the more you kind of try to circumvent it. People will get more and more nervous if you talk about it. It kind of at least removes the secrecy around it. So if you have a hard time, the company is not meeting its targets, make it a public subject. Say, guys, you know, we didn't meet our target. We're not making money this month. I need help. Can you help me think about how do we make money again? Sometimes they come up with a great idea. Many times they don't. But they feel that you share with them and that they can participate in the discussion. It reduces the tensions. If you need to lay off people, do it. You can't avoid laying off people. Laying off is not firing.

In America, there is a very clear distinction. Firing is personal. Layoff is a group. There is some sort of a force majeure. Something happened in the environment, you close down that location, okay? So everybody in that location has to go. So you don't need a shimo or whatever the equivalent in the U.S. It's kind of easy to do. I did it once in my life, remember, the Palm Pilot buying and so forth. And that happened because the dot com hype crashed and Palm Pilot started losing money like crazy. And were tied to the performance of Palm Pilot for some reasons. So when I saw that Palm Pilot is going down the drain, I said, well, we need to take action now before it's too late. So we decided to lay off a third of our people. We had like 50 people.

We decided to lay off 16 or 17 people. So we had a conversation and what we decided to do was each person in the management, were five executives, creates a list by each person by themselves. A list. Number one was a person we wanted to fire. But we're very anxious about what's going to happen if we do that. Mainly lawsuits and so forth. And at

the bottom, number 15 or 16 is the person we really don't want to let go, but we have to save money. Said, each one of you create a list and then we compare the lists. Surprising or not surprising, the list had a really strong overlap. So we kind of all put the people in terms of their contribution to the company at the same order. Then I think it was on a Friday.

n the morning, we called these people one after the other. Basically just said, we're sorry, we have to do a layoff. Please go home, come back on Shabbat or whatever and pick your stuff, but we want you to leave now. And after we finished those 16 or 17 calls, we called the rest of the company and we said, everybody that sits now in the room is here to stay. And we explained why we did what we did and why went a little bit above what we think we need to do. Because we wanted to make sure that everybody that stays in the company knows that they are safe, that we have plenty of revenues, plenty of money to continue operations. And as we expected, about a week later, it wasn't the subject anymore. So the first day, obviously people were rattled.

On the following Monday, people were rattled but then disappeared. It's just disappeared because they understood this is at one time we took a very deep cut and that's it. And it was the only time, luckily for me, that I had to do a layoff. But if you have to do it quick, do it big and get done with it. Now, let's just do the summary. Okay? Again, people are complex. If I didn't convince you about that until now, then you are very linear. They are complex, People are unique. And honestly, if you can convince me that you know how people will behave, you're a genius. I'm not. I told you about my personal stuff. We discussed co founders and how much I think they are a huge benefit. Team size, keep it small. Hiring, complex, compensation, difficult. Life is hard, morale is low.