



THE
DECODED
COMPANY

KNOW YOUR TALENT BETTER THAN YOU
KNOW YOUR CUSTOMERS



LEEROM SEGAL, AARON GOLDSTEIN,
JAY GOLDMAN, RAHAF HARFOUSH

THE DECODED COMPANY

Know Your Talent Better than
You Know Your Customers

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and Rahaf Harfoush

PORTFOLIO / PENGUIN

Published by the Penguin Group

Penguin Group (USA) LLC

375 Hudson Street

New York, New York 10014



USA | Canada | UK | Ireland | Australia | New Zealand | India | South Africa | China

penguin.com

A Penguin Random House Company

First published by Portfolio / Penguin, a member of Penguin Group (USA) LLC, 2014

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LIBRARY OF CONGRESS CATALOGING-IN-PUBLICATION DATA

Segal, Leerom.

The decoded company : know your talent better than you know your customers / Leerom Segal, Aaron Goldstein, Jay Goldman, and Rahaf Harfoush.

pages cm

Includes bibliographical references and index.

ISBN 978-1-59184-714-4

1. Organizational behavior. 2. Employees. 3. Corporations. 4. Big data. I. Title.

658.3'14—dc23

2013039082

Leerom

My father, who made me into who I am today, and Peter Cordy, who has been a second father to me.

Aaron

For my loving families, both at home and at work.

Jay

For Bianca and Sophie. You make life worth Decoding.

Rahaf

To Jesse, my partner in crime and the pictures to my words.

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INTRODUCTION

Dear Reader,

On behalf of my coauthors Aaron, Jay, and Rahaf, it's my pleasure to welcome you to *The Decoded Company*.

We're living in a time of accelerating change and increasing uncertainty in the workplace—just as much as (or even more than) we are in our personal lives. A global war for talent is already under way and we firmly believe that its victors, the companies that survive and thrive over the next decades, will be the ones that reject the status quo and redefine the very basics of their approach. To borrow from Einstein, today's problems cannot be solved with the same thinking that created them. The way we organize, communicate, train, and make decisions—the technology of management—is the very thinking that has created today's managerial challenges. Unbelievable advances in consumer technology have changed almost every facet of our lives over the last twenty years, and yet the rickety technology of management that most managers use today is older than they are.

The Decoded Company argues that the consumer technology revolution sparked by the Internet has only begun to invade the workplace. These advancements have come primarily in the form of user centered design, consumer devices brought into the workplace, and the adoption of cloud-based technologies. That said, the marketplace has largely missed what's at the heart of why companies like Facebook, Google, and Amazon have outperformed their counterparts. These companies have understood how to leverage data as a sixth sense, how to personalize their customers' experiences with that data, and how to completely embrace the open and participatory nature of the Web. We believe these ideas are universal and can be effectively leveraged by any company in any industry, with both their internal and external stakeholders.

The Decoded Company encourages organizations of any size to reject the notion that their people are interchangeable “resources” and to invest in systems and processes that are action oriented, people centered, disruptive, and sometimes radical. We believe that audacious and exponential ideas trump incremental thinking. You'll be provoked into making big bets based on real data, to experiment early and often, to systematically codify learnings, and to allow urgency to conquer your fears.

If you accept the challenge, the benefits of decoding your organization include increased agility and speed, evidence-based decision making, decreased bureaucracy, and the ability to predict problems before they occur. By creatively applying technology and data analysis to all of your internal processes you'll be able to understand and optimize

systematically. Decoding delivers personalized training at the precise moment that it's required, resulting in increased consistency and performance in everything your organization does. The true advantage of decoding your company is for it to become a center of gravity, attracting and retaining the best talent your industry has to offer and unlocking crazy-high engagement from them.

Decoded is the right philosophy for you if you've read enough strategy books to know that you don't need a shiny new strategy but a better way to orchestrate your people's efforts and execution. We all have the same questions whenever we pick up a business management philosophy book: Will this be relevant to me? Can I apply these methods within my team? Will these ideas translate into my industry? Will it have a real material business impact?

We'd like to respond with a question of our own: Do you work with people?

If so, you probably have endless meetings that you wish you could avoid. What if you could respond efficiently to patterns instead of to exceptions? What if your meeting agenda was informed by evidence and the right information you need to make an effective decision?

You probably also find yourself buried in e-mail threads that get longer without solving any real issues, and certainly not with intelligent prioritization. Is e-mail your primary collaboration tool? What if you could get a dynamically prioritized list of goals and then capture, socialize, and reward the best ideas?

You probably suffer through some form of performance review that does nothing to improve performance. There are probably times when you wish you had some coaching or feedback but have to operate in a leadership void. How certain are you that your people are clear on their objectives? Do they have a daily feedback loop that they can see? How clear are you on yours? What if you could operate in a constant state of clarity that showed you what your people need and helped you deliver it right when they needed it most?

The solutions to these problems—the tools we will introduce throughout this book—become the basis of your center of gravity and enable you to attract, activate, and lead an incredible team. That's the first step. Your next objective is to operate with speed and confidence. At its core, strategy is about moving resources toward opportunity and away from risk. Execution is about increasing predictability and consistency while minimizing risk. These were competing priorities in the data-poor world in which management technology was forged. Minimizing risk required structure, formalized processes, and policies that introduced and exploded bureaucracy. Maximizing opportunity requires

autonomy to make evidence-based decisions and orchestrate teams with the agility to respond to rapid environmental changes.

We no longer live in a data-poor world, but we continue to use the management tools designed for one. If you're a manager, you're probably sensing that the world gets a little faster every day, and the degree of uncertainty is accelerating. The techniques and tools you're using to manage your people can barely keep up with the challenges you're now facing. The sad part is that we've solved this challenge in the consumer world. Amazon, for example, has developed an entire toolbox of clever ways to learn about you, adapt to your preferences, and separate you from your hard-earned dough. Why haven't we applied these learnings to the world of work?

This book is a chronicle of our obsession with a deceptively simple question: What if we understood our talent better than we understand our customers? Or to put it in a slightly different way: What if we learned to decode the real story that is embedded in the data trail that follows every person in our company and every project they work on? What if we put its messages to use—not to get the better of our talent but to empower the best from them, to make their jobs better, and to improve the performance of our whole organization?

The answer, it turns out, is radically transformative.

Based in part on our own experience building Klick Health over the last fifteen years, and in part on the early indicators and evidence we've found in the marketplace, this book is a manifesto for the Decoded movement. It lays out an argument that the key to sustainable competitive advantage is in creating a data-driven, talent-centric company culture. In the chapters that follow we'll explain what a Decoded Company is and how to create one, drawing on examples from our own business and many others across a wide range of industries.

WHY SHOULD YOU LISTEN TO US?

While we're certainly not the first people to write about the ideas and trends that inform this book, we've lived them in a way that most management theorists haven't. For the past seventeen years, we've watched as Google, Amazon, Facebook, eBay, and others have disintermediated entire industries, fascinated by the consistent patterns that each of their trajectories reveals. At Klick we've been at the convergence point of a number of these trends, and we've learned how to apply them to our advantage. Our company and the people who work for it have prospered, but for us it's not just about the money. We are passionate—possibly even evangelical—about the Decoded Company because we believe that it points to a better way of life. More than a catchphrase, more than a tool kit

it is a whole ethos.

Seventeen years is a long time to have been tracking anything. Think back to 1997—What were you doing? Does it bear much relation to what you're doing today? For Aaron, our partner Peter Cordy, and me, 1997 marks the year that we chose freedom over a miserable corporate culture that we despised. The three of us were working for a big public company. The dot-com craziness was at its height and our bosses were obsessed with pleasing their institutional investors instead of mentoring their people. Decisions were made with zero concern or accountability for their impacts on people's lives. At the same time, we were flying blind with respect to our day-to-day performance. And so we left, choosing to build something that we could be truly passionate about. That something became Klick.

Klick is a nonstop experiment in reinventing the technology of human achievement, and it is now the world's largest independent digital health agency, a \$100 million company with more than four hundred employees spread out across North America and the world. Klick provides digital marketing services (Web sites, apps, mobile, social media, etc.) to pharma and biotech companies that are reinventing the technology of human health, a perfect parallel to our own mission. We design and deploy tools that help our clients bring their message to an increasingly digital market, introducing their often lifesaving therapies and drugs to both patients and health-care professionals. We help them to recruit patients into clinical trials, to shape their market approach based on real data, to craft the channels through which their message is delivered, and to ensure that their patients achieve better outcomes through support programs. Our work touches every phase of a drug's life cycle, starting from clinical trials on through prelaunch and launch right through to our client's loss of patent exclusivity.

The advantages that come from being Decoded have set us on a very different and much steeper path than the rest of our industry (and than most companies in any industry). In our worst years we've grown 30 percent and in our best, 60 percent and more. The primary driver of our success is our crazy-high team loyalty and engagement. In an industry in which the voluntary attrition rate for privately held agencies is at mid-20 percent and 30 percent-plus for big agencies, ours is about 3 percent. Although many of our competitors (especially our undecoded ones) might find our track record enviable, we believe that our growth is just beginning.

BEWARE BIG BROTHER

Any approach built on data will inevitably encounter a Big Brother reaction. In our seventeen-year history we have seen it many times as we've lived and breathed the Decoded philosophy. We've become very familiar with the rising implications of living

in this new data abundant landscape. Privacy and surveillance issues are nothing to laugh about, and we've grappled with many of them. These concerns are important and deserve to be addressed head-on. The Decoded Company is one that has a thoughtful and transparent data policy that demonstrates an understanding of this new environment and knows to protect its employees. You'll learn about the Decoded data policy guidelines that you can use to ensure that you properly manage your data in a safe, trusted, and ethical way. We'll show you some examples of companies that are doing it right and of others that have committed some scary missteps.

WHY NOW?

You're probably familiar with a quote from Henry Ford that dates back more than a century, to the last time the culture and theory of management were undergoing the kind of revolutionary changes that they are today. When asked how he was able to understand the needs of his market, Ford is reputed to have answered, "If I'd asked people what they wanted, they would have said a faster horse."

That's what almost all of the enterprise technology from the last thirty years amounts to: a faster horse. Consider e-mail. It's just a digital way to deliver a letter to your friend or memo to a colleague. It might have more bells and whistles, but you can easily trace its lineage all the way back to the first intraoffice memo, with its carbon copies both blind and seen (BCCs and CCs). You can scale that concept all the way to the biggest, scariest enterprise resource planning (ERP) system, which has essentially digitized a whole bunch of offline processes, documents, spreadsheets, and other legacy business paraphernalia into electronic versions that are almost exactly the same as their paper equivalents.

Most of us in leadership roles spend our time tinkering with the "technology of management" when we should, as Gary Hamel so aptly put it, be reinventing the "technology of human accomplishment." *The Decoded Company* is a book about business management, but it's also about much more than that. It's about learning to see your environment through the lens of data rather than the prejudices, preconceptions, and perceived wisdom that they were teaching in business schools fifty years ago. It's about the importance of treating human beings as autonomous individuals rather than as standardized, replaceable cogs in a machine. It's about what business can be and should be—a data- and technology-driven field of incredible human accomplishment.

THIS IS A MOVEMENT

If you're hoping to learn how to apply data so you can message, merchandize, or up sell more precisely, you're holding the wrong book. But if you're an empathetic and progressive leader who is eager to find effective ways to empower your people, keep

reading. You'll learn how to make more informed decisions, execute faster, operate with less bureaucracy, drive higher engagement, and eliminate surprises.

If you've been searching for fantastic ways to keep your team motivated, then you're in luck.



The Decoded Company is much more than a book. First and foremost it's a tribute to the people who inspired us. We very much believe that we're standing on the shoulders of giants who have published their ideas, shared the stories, and deliberately engineered their corporate ecosystems. *The Decoded Company* is our attempt to weave those individual threads into a cohesive philosophy and movement. Though we won't spend a lot of time on theory and social analysis, we will provide reading lists for anyone who wants to dig into the why behind the how. Reading lists and recommendations are highlighted in the text with the icon at left and are available in a single list at decodedbook.com/reading-list.



Learning by doing is a very important part of our theory, so we've also provided a number of experiments that you can perform yourself. Each is called out in the text with the Experiment icon seen below. We hope that this book inspires you to adopt the same culture of experimentation that we have been pursuing and to share your results at decodedbook.com. We still have many more questions than answers; we'll be thrilled if you decide to join us in this shared adventure of inquiry and discovery.

BEYOND THIS BOOK

The companion Web site (decodedbook.com) is full of additional resources that we invite you to explore, including videos, workbooks, experiments, a full description of our own case study, and a lively community of Decoded readers and practitioners.

THANK YOU

We've struggled with all of the challenges outlined in this introduction, and we think we've come up with some radical solutions to help tackle them. It is my absolute pleasure to welcome you to *The Decoded Company*. We couldn't be more excited to share these ideas with you, and we hope they inspire you to revise everything you thought you knew about management. Aaron, Jay, Rahaf, and I are really looking forward to hearing about how much decoding has improved your people's morale and productivity, your company's bottom line, and your life. If solving these challenges for yourself is worth a few hours of your time (and we think it is!), read on.

Thank you for investing your time with us—we know how valuable it is. We promise to make it worth your while, and we guarantee that you'll walk away with at least one game-changing idea for your business. I would love to hear about it if you do, and I would doubly love to hear from you if you don't. Please reach out to me at leerom@decodedbook.com.

Here's to experimenting!

Leerom,

Aaron, Jay, and Rahaf



Klick's evolution into a data-driven company was born out of our desire to be more efficient—and a deep hatred for e-mail.

It began with a small decision that was made more than seventeen years ago, when Klick was just a few employees and everyone was sitting within an arm's length from one another. Leerom, Aaron, and their cofounder, Peter Cordy, have been friends for more than twenty years; they trusted each other and could practically complete each other's sentences.

The first few employees to join were easy to integrate through communication channels such as e-mail, but as the company grew, the increasingly complex client projects were generating e-mails that were tens of pages long and distributed to dozens of recipients, who were forwarding them to still more people, resulting in a cacophony of miscommunication and unnecessary mistakes. Cue the deep hatred.

Like many businesses, we needed a better way to manage the information that was floating around inside the company and to apply it in a useful way. We were surrounded by data that we weren't using. Taking inspiration from tech support systems, Aaron implemented a simple ticketing system that tracked each individually assigned task—the prototype of the system we would come to call Genome.

And then he banned internal e-mail.

To be more accurate, he instructed the entire delivery organization to disregard any task assignment given via e-mail. This forced client-facing teams to create tickets in order to get anything completed by the organization. In and of itself, it didn't seem that monumental at the time. Ticketing systems were already a fairly well-known way of tracking requests and work orders.

In the process, though, we stumbled across a powerful insight. As Genome started to collect vast amounts of data, we realized that we could use it to gain new understandings of how our company was running. We could see the number of tickets that were created by a specific department or a particular individual, and we could see the average time it took to close a type of task. We could identify whom any task was assigned to, when it was opened, and the informal comments that surrounded it. But that was only the beginning.

The really big breakthrough was when we realized that the information we were amassing allowed us to read our teams' digital body language. We could identify the

patterns of behavior that led to success and those that led to problems—and by catching those potential problems early, we could correct them with a relatively small change of course. (For a much deeper look into Genome, check out decodedbook.com/genome.)

We are not the first or the only data-centric company. As recounted in the book and the movie *Moneyball*, for example, baseball general manager Billy Beane used sabermetrics—a form of data-driven analytics, to lead the undervalued Oakland Athletics to a play-off series victory in the American League Division Series in 2006. In 2007, Tom Davenport published *Competing on Analytics*, which explained how companies like Amazon, Barclays, and Capital One were using sophisticated statistical analysis to understand their customers and make better decisions. In 2008, United Parcel Service (UPS), a 105-year-old company, rolled out its algorithm-powered juggernaut, ORION, to help its fleet drivers reduce their carbon footprint by optimizing their daily routes. By 2010, authors like Tim Ferriss were really hitting their stride in showing us how we could use data to hack our own bodies.¹

In 2011, analytics and data science jobs accounted for a quite remarkable 0.1 percent of all job listings at LinkedIn, up from less than 0.01 percent just a decade before.² (The year-over-year growth of profiles with data science as a skill is up 46 percent in 2013.³) Google's People Analytics team has also been very active, sharing their early results in public forums. Finally, in 2012, author Charles Duhigg showed readers of *The New York Times Magazine* how the retail giant Target had gotten so good at analyzing our purchasing behavior that it could predict the products we would buy before we even knew we would need them.

We have now firmly transitioned to the next phase of our technological evolution: the data era. We have gotten exceedingly good at tracking margins, inventory, turnover rate, financial performance, and customer preferences, and many of us are learning to compete on those and other metrics. This book isn't about any of those things.

 **Reading List:** For a list of books about Big Data see <http://decodedbook.com/bigdata>

What we discovered after building Genome was the next stage of data evolution: data superpowers. Data superpowers are less like Superman's and more like the X-Men's Professor Xavier or Spider-Man's—the ability to know things that aren't directly observable through your five senses. They're what Leerom calls a data-powered sixth sense, giving everyone in your organization an awareness of the entire organization well beyond their immediate realm.

For example, a car insurance company generates personalized policies for customers by

using vehicle telemetry data to understand each driver's unique habits. An online dating site uses the data it culls from extensive surveys to measure the compatibility between potential love matches. A government agency uses analytics to track down tax evaders and identify instances of fraud. Data has become one of the most valuable resources we have for uncovering insights about our motivations and behavior. But every one of those examples is about the use of data for external (e.g., customer-facing) purposes. What happens when you turn those algorithms around and look inside your own company? The result is extraordinary insight into your talent that reveals the keys to breakthrough performance. In searching for a name to call these insightful organizations, we turned to the science of the human genome. Decoding our genome has given us radical insight into what makes our bodies work. Decoded Companies likewise decode themselves to gain equally radical insight into what makes their people work.

Before we go any further, it's important to explain what we mean by "company." We're often asked if an entrepreneur with a handful of employees can be Decoded, if a manager of a small team within a big corporation can apply these tools, or if they can be used with entire divisions or across giant multinationals. The answer to all of the above is a resounding *yes*. Being Decoded doesn't require a sizable team, companywide buy-in, C-suite sign-off, or a massive budget (though all of those things would obviously help). Some of these tools will apply more to your scenario than others, which is why we have an awesome community at decodedbook.com to help you figure out how to adapt them.

The Decoded Company is an organization of any size that rejects the notion that its people are interchangeable resources. It invests in the systems and processes that enable it to understand its people better than it understands its customers and is characterized by increased agility and speed, evidence-based decision making, decreased bureaucracy, and the ability to predict problems before they occur. It creatively applies technology and data analysis to all of its internal processes in order to decode, understand, and optimize. It delivers personalized training at the precise moment it's required and benefits from increased consistency and performance in everything it does. The true decoded advantage is to become a center of gravity for talent, attracting and retaining the best people your industry has to offer, and unlocking crazy-high engagement from them. Decoded Companies become top performers, reshaping their markets and industries.

If you were to write the exact opposite of the paragraph above, you would be describing most businesses today. It's not that everything they do is wrong; it's that they exist in a pre-Decoded state. All of them will be faced with a decision over the next decade: adapt or die. That may sound overly dramatic, but the bottom line is that every industry, no matter how slowly it adopts technology or how hard it resists the change, is in a global battle to attract the best talent it can find—top performers who understand the power of

technology and can leverage it more effectively. Decoded Companies are talent magnets. They are destined to win.

The good news is that we don't have to tell you that—the fact that you've bought this book shows that you are already onboard.

The bad news is that you can't become a Decoded Company overnight.

You certainly can't do it until you learn to cultivate a healthy disregard for the status quo. Over the course of your career you've been told many things about how to manage and lead your team. Most of them were true at some point, but they no longer apply in today's world. First and foremost, a Decoded Company bases its decisions on data, not on the dogmatic management principles that were propounded in the last century. By doing exactly that, Klick has enjoyed a fifteen-year ascent while most of our industry has contracted and/or assumed massive debt loads to stay afloat. Our internal corporate slogan—The Relentless Pursuit of Awesome—is our approach and it inoculates us against the evil inherent in good enough.

THE DECODED MODEL

All the theory in the world isn't going to help you solve your real-world problems. We encourage you to embrace three Decoded principles and support you with tools to implement them. Our approach can be applied in any work setting, regardless of how big or small your team is or the culture of your company. As you'll soon learn, we've developed a custom, dedicated software system that we call Genome to put them into practice at Klick. Look out for the icon at right for suggestions of off-the-shelf products that will allow you to achieve the same goals.



Principle 1: Technology as a Coach and Trainer

Imagine you understood your people and their skill sets well enough that you could transform the role of technology within your organization from a referee into a coach. Instead of yelling “offside!” after something happened, you could predictively anticipate the issue with an early detection system and instead use these moments as the best opportunity to coach and inspire. If it was this team member’s first time trying to accomplish something, you could leverage that teachable moment in order to deliver a small learning intervention that’s precisely timed and adapted to their individual learning style. Decoded organizations personalize everything that happens

internally by knowing more about their talent than about their customers. By knowing enough about your people, you'll be able to dynamically adjust processes and provide information precisely when people need it. We'll encourage you to depart from any one size-fits-all solution, process, or policy to an alternative that is much more efficient, pleasant, and productive.



Principle 2: Data as a Sixth Sense

The second principle is all about using the data-rich environment that surrounds us to inform our intuition and make better decisions. In other words, it's about using data as a sixth sense. We'll teach you how to instrument your team or organization to capture ambient data and then to analyze it to identify patterns of behavior that can help you predict outcomes. Take, for example, the best World War II pilot in a Bell P-59 Airacomet, the first jet fighter flown by the United States, and pit him against an average modern pilot in an F-22 Raptor: The World War II pilot loses every time. Aside from differences in speed, maneuverability, and weapons, the Raptor augments the pilot with a heads-up display that feeds real-time data and situational awareness to him. He can make smarter decisions much faster and handle situations that his colleagues from seventy years ago couldn't even dream of. This is one of the tightest man-machine bonds and an excellent example of the power of informed intuition. Now consider that the vast majority of the management practices we use today predate World War II. Our technology has advanced at least as much as the differences between the P-59 and the F-22, and yet our approach to arming our people with data has trailed behind. Informed intuition is the heads-up display that can give you—and your people—that edge.



Principle 3: Engineered Ecosystems

Finally, the third principle is our ability to use data to foster a particular set of behaviors within our organization—it's a deliberate step to building better corporate environments. This principle is driven by the new digital social norms, such as transparency, connectedness, and community, that are at the core of everything on the Web. We've entered an era of conversations in which influence is attained based on merit rather than on the size of an advertising budget. The same thing is happening inside your company whether you realize it or not. Many have written about the connected enterprise, but with engineered ecosystems we challenge leaders to understand the role that technology has in shaping culture and breaking down preconceived ideas about how control is shared. It will inspire you to think critically about empowerment and orchestration. It will challenge you to ignore dogmas and get creative with a systematic approach to solving problems, one experiment at a time.

The Decoded advantage helps you leverage the knowledge that exists in your company right now to create a work environment that is not just running more smoothly, with fewer bottlenecks and less bureaucratic inertia, but is insanely engaging—one that motivates your people to do their best and soundly outperform the competition. We've used this model at Klick to keep us from firing a valuable member of our team even though his project went hugely overbudget. Whole Foods used it to radically restructure its teams and give it a trust-filled environment that delivers true autonomy. At the extreme radical end, Valve Software applied the Decoded model to completely flatten its entire \$3 billion company. You'll learn about all of these case studies in later chapters.

DECODING TRENDS

We are at an unprecedented convergence point in the emerging technology of what Gary Hamel—recently ranked by *The Wall Street Journal* as one of the world's most influential business thinkers and dubbed “the world's leading expert on business strategy” by *Fortune* magazine—calls “human accomplishment,” one that provides us with a unique opportunity to move from antiquated and obsolete management philosophies to a data-driven, talent-centric approach.⁴

In order to truly understand the Decoded principles, we have identified three trends—*informed intuition*; *personalize everything*; and *the connected enterprise*—which have laid the groundwork necessary for our model to become possible. They are a combination of emerging online norms, increases in mobile and Web penetration, and the availability of an abundance of data that has changed the way consumers interact with organizations.

To successfully apply the Decoded principles, we need to understand these trends fully. They are born out of technology—smartphones, massive databases, scalable cloud architectures, and fast processors. They live in the social consumer Web, in the devices in our pockets, and on our Internet-connected TVs. They are new to our world, having emerged only within the last decade (and matured only within the last five years), and yet their impact on our day-to-day existence is already more significant than almost any other technology in history.

None of these trends existed when the vast majority of the management philosophies we follow were created. Gary Hamel considers management to be one of humanity's most important inventions, but one that suffers from a significant problem. “Most of the fundamental breakthroughs in management were made decades ago,” he writes. “Workflow design, project management, variance analysis, budgeting, financial

reporting, performance appraisals and a host of other notable inventions trace their origins back to the early years of the twentieth century. Truth is,” he continues, “much of what passes for ‘modern’ management was invented by individuals who were born in the middle of the nineteenth century.” And yet we still continue to follow them today, struggling to apply their anachronistic approaches to our modern workplaces.

 **Reading list:** *The Future of Management* by Gary Hamel, with Bill Breen

The will to change has been there for some time, but the technology that was needed to truly evolve into the data era did not yet exist. It is the convergence of our three trends that has finally paved the way for the emergence of the Decoded Company—driven by data, powered by personalization, and built on an engineered ecosystem.

1. INFORMED INTUITION

We live in a data-rich world. The cost of data storage and processing is going down exponentially every year. This enables us to instrument our organizations to capture ambient data, which is any data that can be sensed without the bias or overhead of self-reporting. Ambient data includes everything from patterns of communication between employees and customers to activity in the office to use of your intranet and more—for example, we drank 61,392 cups of coffee across our company last year, as ambiently measured by our network of coffee machines. The more we understand the dynamics of the most granular data points in our enterprises, the more reliably we can predict outcomes and reduce surprises. By tracking everything from basic patterns of behavior to individual experience, we’re able to decode long-term patterns that separate signal from noise. This allows us to create predictive models that automatically flag potentially dangerous situations.

One of management’s most vexing problems is how to learn from history and avoid repeating the same mistakes. This becomes more important as organizations scale in size. A company that scientifically correlates its mistakes with patterns in its historical data can literally codify that learning into algorithms that sound an alarm when those same patterns recur.

Mistake avoidance is not the only challenge that keeps us up at night. Many of us are struggling to create systems that ensure that talent is fully engaged at every level in the organization. There’s a wealth of great literature out there on the topic, including Dan Pink’s *Drive*, which describes how people seek purpose, mastery, and autonomy in their work. Pink’s insights are part of the foundation that *The Decoded Company* is built on, and you can count us as fans of his thinking. But we go a step further and show how

these ideals can actually be achieved through quantifiable data-driven approaches.



Reading list: *Drive* by Daniel H. Pink

Though data can't necessarily ensure purpose, we believe it can be leveraged to accelerate mastery and increase autonomy while at the same time reducing risk. In support of mastery, we can quantify the parts of every individual's experience that are felt, such as feedback, challenge, change, learning, and opportunity. To increase autonomy we can make use of tools that watch our blind spots, freeing our people from the tyranny of one-size-fits-all policies and processes that simply slow them down. It's this shift that has enabled us to develop and use what we call informed intuition, in which your systems analyze data to monitor your blind spots and to look for patterns that match lessons learned, literally codified into your company's operating system. At Klick we accomplish this with Genome, the powerful system that we described at the beginning of this chapter.

2. PERSONALIZE EVERYTHING

One of the things we take for granted is the degree to which our communications with companies are personalized and relevant to our interests. Whether we're reading a promotional e-mail from Amazon or thinking about watching a movie that Netflix suggested, their recommendations are shaped by our past purchases and are thus uniquely curated for us. When we log into Facebook, our newsfeed is driven by whose profile we last viewed, who we frequently communicate with, and the type of content we typically engage with. In every aspect of our personal lives, whether we're viewing videos on YouTube, reading news on Flipboard, using shopping and dating sites, or listening to music services such as Spotify and Pandora, intelligent algorithms are consuming data, learning our preferences, and shaping our experiences.

That's sadly not true in our workplaces, where we're subjected to one-size-fits-all policies and processes in everything we do. Why? Processes and bureaucracy protect organizations from risk. When a professionally managed organization makes a mistake, carries out a postmortem, determines where in the process it could have caught the error and then adds a control to prevent that mistake from recurring. It probably also updates its training materials, communicates the change, and trains appropriately. That might seem like a reasonable process to you (especially if you work in an organization that isn't Decoded), but we think it's like slow death by heart disease. All those proliferating processes build up like plaque in an artery, causing the organization to get slower and slower, until it eventually stops completely. We're going to show you how to clean that plaque right out and install organizational stents when required. If Decoded Companies are dogmatic about one thing, it's the rejection of one-size-fits-all anything. The truth is

that one size fits none.

One of our favorite quotes on complexity comes from Antoine de Saint-Exupéry, author of *Le Petit Prince*, who said: “Perfection is achieved, not when there is nothing more to add, but when there is nothing left to take away.” Our ability to deliver personalized services has empowered organizations to free themselves from the restrictive referee that terrorizes their teams and shift to an approach we call Technology as a Coach and Trainer. This powerful tool helps identify teachable moments, the best possible time to deliver a learning intervention.

3. THE CONNECTED ENTERPRISE

This is an exciting time to be a consumer. Companies are more accountable to their customers because the Web amplifies the opinions of any individual. Gone are the days of one-way broadcast marketing; we’ve entered an era of conversations. Influence is attained based on merit and is more powerful than any advertising budget. We have become what you might call the connected society, joined at the hip (or, more accurately at the smartphone in the hip pocket), constantly networked to our friends and family, and expectant that those connections will provide a constant stream of useful content and data. Our everyday tasks—from errands to choosing a restaurant to sharing photos—are made easier by our connection to the network.

Unfortunately, it’s not nearly as exciting a time to be an employee. Although we strive for a work-plus-life balance, the latter part of that equation is far more connected than the former. IT systems are increasingly converging with consumer systems, as fewer and fewer of us are willing to put up with terrible enterprise software.

That said, we believe that those same principles of openness, transparency, and connectedness are destined to transform our business culture no less radically than they have our consumer culture, leading from the connected society to the connected enterprise. The changes that we’ve seen in the consumer Web and in consumer technologies have already begun to make their way into the business setting and will continue to do so with increasing force, requiring us to rethink the structure and culture of our companies just as much as we’ve had to reevaluate what it means in our personal lives.

Culture is classically defined as the customs, arts, social institutions, and achievements of a set of people. The term gets misused all the time in corporate settings, especially among tech start-ups. Shanley Kane, writing on exactly this topic, said:

Culture is not about the furniture in your office. It is not about how much time you have

to spend on feel-good projects. It is not about catered food, expensive social outings, internal chat tools, your ability to travel all over the world, or your never-ending self-congratulation.

Culture is about power dynamics, unspoken priorities and beliefs, mythologies, conflicts, enforcement of social norms, creation of in/out groups and distribution of wealth and control inside companies. Culture is usually ugly. It is as much about the inevitable brokenness and dysfunction of teams as it is about their accomplishments. Culture is exceedingly difficult to talk about honestly.⁵

Decoded Companies view their investments in their culture (of time as well as money) as some of their most critical expenditures. This leads to Engineered Ecosystems: very deliberately and intentionally designed cultures.

We're not the only ones who believe this, as you'll see later in the book. The connected enterprise is a reality for many people today, which you'll discover through a number of compelling case studies and stories.

ALWAYS IN BETA

At its heart, a Decoded Company is an ongoing experiment. We practice this at Klick by following a “question everything” approach, building our culture on the belief that we should never stop relentlessly pursuing the ideal of a perfect business, even though we know we will never actually attain it. Each experiment has the potential to bring us one step closer to that state.

Experimentation requires risk taking, which means that you have to encourage your people to constantly push limits and test established practices. They have to feel secure enough to fail. All of this comes back to becoming a center of gravity for the best and brightest: Hire damn smart people, really trust them, empower them to take risks, and what they deliver will blow you away.

Empowering risk taking means removing obstacles. Decoded Companies often have an inverted leadership model in which the employees closest to the customers make the key decisions while managers are seen as facilitators and orchestrators (it's no accident that Leerom refers to himself as Klick's chief exception officer). Being a master orchestrator means fighting constantly against our natural bias toward complexity. Dharmesh Shah, CTO and cofounder of HubSpot (you'll hear more about them later), says, “Ironically, adding complexity is easy and maintaining simplicity is hard.” Left unchecked, this tendency will turn even the most basic process into a massive standard operating procedure that will eventually grind down your people's will to live (if not their actual

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