



Why Some Employees Would Rather “Go It” Alone Than Develop Ideas “In House”

Incubating Your Own Competitors

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Modern knowledge workers who discover a new idea and recognize its value are confronted with a serious dilemma. They must decide whether they will face the known risks of developing the new idea “in house,” or take the unknown risks associated with taking the idea outside of the company and “going it alone”. This paper explores these risks from both the management and employee perspectives. The diverse costs, exposures, and liabilities associated with either approach are highlighted. Conclusions are drawn which suggest a need for drastic reform in the process of sharing ideas and developing new ideas within the modern organization.

Mental work is personal, hidden. Of course, we must ultimately shape such work into artifacts (reports, spreadsheets, presentations, banners, graphs, designs, plans, outlines, letters, and even white papers) but the work itself happens between one’s ears. What is not obvious is that are a host of challenges to you, a manager, as more of us spend more of our time doing mental work instead of physical work. How do you oversee such hidden work? How do you tell the difference between someone who is woolgathering, and someone who is being extremely productive? How do you establish ownership if you can’t see it? How do you force someone to turn over his or her best ideas, the whole or partial product of a day? How do you make sure that their artifacts include all their work and not just the mundane and dross?

Incubating Your Own Competitors

Business success stories are the fodder for today's business periodicals. Inc. Technology reports on a young man, Lars Hinckley, who founds a dot.com that sells low-tech reel mowers on the web:

www.cleanairgardening.com

Initiative, imagination and hard work were the key elements for the formation and profitability of his little company. In the article we almost scan past "The videoconferencing company's (the company for which he worked) tuition-reimbursement program that enabled him to attend an executive M.B.A. program at Colorado State University. Hinckley immersed himself in Internet technology during the day and in business school fundamentals at night."¹ Hinckley decided to start his company while working and had his employer foot the bill for his training.

Such examples are so profuse they are hackneyed. A high percentage of new businesses are begun, in the conceptual phase if not in the physical, while working somewhere else. The phrase "Don't give up your day job" discloses a wry truth. Human nature provides that a landing place be prepared, before your employee, or your associate, launches from their present, secure position. This dilemma becomes even more frustrating, when you realize that what that person knows best is *your* business.

These individuals may start not only a new enterprise, but very probably a *competing enterprise* to your own.

*Why Some Employees
Would Rather "Go It Alone" Than
Develop Ideas "In House"*

What Do Your Employees Take With Them?

The non-compete agreements signed with an employee, when they refer to corporate ownership of ideas, are almost ludicrous: if it is impossible to ascertain whether an agreement has been breached, that agreement is unenforceable. Although, the ideas that an employee takes with him lead the list, they are by no means the only property which may get transferred to the new enterprise:

The "Hole" Left In the Company

It may sound both redundant and inane to say that what the employee takes with them is "themselves." The truth of it is that replacing a person is far different from losing a capital asset. It's the difference between replacing a pencil and losing a knot in the net. A "hole" opens up and corporate demands start falling through that we didn't even realize the employee was catching. "Replacing personnel" is oxymoronic. We don't replace. We can't. What we do is absorb the loss and find someone else to contribute something different, but which will be more or less valuable.

A person is a node in a complex nexus of productivity and relationships. A job description is part of the "canonized version" of

the organization; such descriptions are really not descriptions at all; they are *proscriptions*. They often comply with a formal documentation standard of how the company *might* or *should* run; but they don't describe how a person actually functions. Consequently the *loss of that functionality* doesn't appear until after the employee is gone.

An employer is then faced with, first, *trying to understand* what the *Gestalt* of an entire employee's realm of influence was; second, how to *separate and value* the negative and positive interactions of the employee and, third, how to devise a *search and decision process* that will replace and augment that total, synergistic involvement that is now gone.

Such a process is difficult enough when the employee is still functioning. But after the employee is gone it is like figuring out how a body functions from an autopsy. There's a lot of information there – but such analysis in the absence of *life, current activity, current functionality*, is difficult and always incomplete.

It's little wonder that few employers attempt the task. They amputate the functionality, find the best replacement, and go on. Companies, departments, and teams always change irrevocably with the loss of personnel – *the dangerous and troubling element*

¹ Inc. Tech, 2001, No. 2, June 30, 2001, p. 46.

is that the effect of such changes isn't predictable and therefore difficult to manage or direct.

Mental Work

These are ideas resultant of *time spent* or *association with* your business. Many ideas that come to an employee come *because* he works for a specific enterprise and is familiar with the culture, problems, solutions, and specific trade knowledge that exist in your company.

Intellectual Property

Intellectual property is differentiated from mental work in that it represents ideas that have been incorporated into an artifact.

A spreadsheet outlining the increased profitability of a reorganized division is considered corporate property.

A presentation developed on corporate hardware using corporate time is corporate property.

Normally, such property finds itself into the employee's hands in the course of business and is stored in his files, his hard drive, floppies, notes or email.

Employee manuals fall into this category. It is impractical to force the employee to "give back" such information, unless they do so because of their own code of ethics. The act of theft – stealing intellectual property – need not be overt. This material is often taken just cleaning out a desk or sending emails to one's own residence or taking a briefcase home, often long before termination.

Methods, Procedures, Training

There is general knowledge that may not be embodied in any particular artifact but still is listed as corporate property in the non-compete agreement. The training that an employee receives, both formal and on-the-job, belongs to the company. The employee is a repository of knowledge which is obtained, from just "hanging around."

If you dip a sponge in a bucket, it will carry away water. Likewise, such knowledge may be the competitive edge, which the company relies on to stay in business, and may be transferred to another enterprise, without the painful cost of development, or trial-and-error, that accompanied its first origins. Corporate infrastructure also falls in this category. It is much easier to "lift" infrastructure design – communication methods, benefits, support design – from the old company then redevelop it.

Contacts, Relationships

Transferring a relationship to a new company may be as overt as taking a list or database of customers; or as covert as making calls to customers or vendors after the initial employee relationship has been severed.

Relationships are normally made with individuals, not corporations.

Confidence is often invested in an individual, not a company.

When that individual moves, accrued loyalty often moves as well. Such relationships often move under the umbrella of propriety. "Hi, Bob. I just wanted to let you know that I was leaving

XYZ and won't be able to service your account any more. I am starting my own little group, but I'm sure Freaky Fred will be able to take care of your needs."

Corporate Time

When the task-at-hand is primarily physical, it is easy to see who is not contributing their fair share. Manufacturing lines or construction crews have individual or team goals, and comparing production with the goal may not be trivial, but at least it is a defined process. If the task-at-hand is design, or planning, or idea-production, or writing, or spreadsheet modeling, or strategy, or facilitation, it is much more difficult to show who is productive and in what way.

It is even more frustrating when one realizes that it is exactly this type of work, which will have the greatest influence on the profitability and longevity of the company. Someone may, in fact, spend a *preponderance* of one's mental time in developing another enterprise, and have this use of time go completely unnoticed by management.

Corporate Tools and Facilities

Jump-starting a new venture at the current firm is often facilitated by access to computers, software, printing or copying facilities, meeting rooms, and presentation equipment. This is often the competitive edge the new undertaking exhibits over *its* start-up competitors. It's easier to look good if you've been in a responsible position with a reputable firm. It's ironic that the firm's reputation may be a material asset in the new *competing* company.

Leadership, Espirit de Corps

Once an employee decides that a new undertaking is a viable possibility; leadership and participation within the current company *must* consequently suffer. One draws back from commitments and representations to co-workers or customers because the inevitable question must be faced: "Then why did you leave?"

A manager might view such a change as a "lack of heart" or "an inability to focus." Often, the greatest contribution a leader or team-member can make is to "sound the sure trumpet", to make people stop worrying about attendant risks and focus on the project at hand. This capability is mortally damaged by one's secret decision to ultimately withdraw. Double-headed loyalty results in hesitancy, in the will to stall and prevaricate.

The notion that power and knowledge are organically connected is not new; indeed the theory of cognitive dissonance is based on that connection. Michael Foucault notes:

"... that power and knowledge directly imply one another; that there is no power relation without the correlative constitution of a field of knowledge, nor any knowledge that does not presuppose and constitute at the same time power relations ... power-knowledge, the process and struggles that traverse it and of which it is made up... determines the forms and possible domains of knowledge."²

What is not as clear in the traditional analysis of power-

knowledge is that knowledge, which influences power (or lack of it), reaches far beyond subject knowledge. The knowledge of one's own intent and plans, especially if that knowledge is of a current or planned disengagement, *must change* the capacity to act in one's role. When I decide to leave my company's employ, it is a watershed moment. I see my company differently, I see my contributions differently, I see my projects separately; my competencies irrevocably change in response to these differences.

Note again: It is the highest capacities, as they would be valued by an employer, which I lose first. I may be able to complete mundane tasks at the same level as before when I am working under the intent of disengagement. But it is the complicated, the daring, the innovative, the charismatic; that I sacrifice to my new plans and commitments.

Physical Property

This is an ugly topic, but nonetheless real. Corporate inventory systems are built for purposes of tax depreciation and capital asset accounting. They are rarely built to account for smaller (less than \$1,000.00 is often the standard) property purchases and their eventual disposition. When RAM memory is purchased for a computer(s), who tracks where it goes? When a software license is transferred to a laptop, where is that, recorded? When office materials (paper, folders, filing materials, pens) are used faster than expected, is it worthwhile to dedicate someone to try to find out where it has gone? If a chair

goes missing, does anyone investigate? New ventures often begin with a better inventory, if the principal has just come from a company rather than if he has been self- (or non-) employed. The sadder comment is that it is rarely cost-effective to try to retrieve the corporate

The "Real Street Risks" of Developing an Idea Outside the Company

property, unless its replacement value is in the tens of thousands.

What Challenges Rise Up Upon "Leaving the Nest"?

The decision to leave a stable company and found an enterprise somewhere else is one of the most surprising phenomena in Western business. Many do it; few do it in total ignorance of the difficulties and problems of forming a new venture. Because of the frequency of new businesses, the anecdotes and horror stories are a traditional part of our business consciousness. Everyone knows someone who has done it. A few of them have even done it well.

In some ways, the same rationalizations that justify the lottery justify formation of new enterprises. "I know it's hard. I know it may be impossible. But, for me, it will be different." We even have developed words to express our risk-consciousness: "risk-adverse", "risk-tolerant", "risk-prone." The concept of economic "Safety" lies at the root of what *risk* an employee is willing to accept. That concept may no longer be: "a good job with a

² Foucault, M. (1988). *Technologies of the Self*, p.28. In L. Martin, H. Gutman and P. Hutton (Eds.) Amherst, MA: University of Massachusetts Press.

good company" or "a good-benefits package" or "a twenty-year retirement

The employee must often go through a morphing process where "Safety" becomes "the ability to work", "the opportunity to seize control", or "the chance to do what I do best." However, such prospects come dearly. Of course, some jump and think later, believing that an obstacle

ignored is as valuable as one conquered. But risks, unlike whims, are both persistent and dangerous. Even though we list them here, the poignancy is that any analysis, however helpful, is wide of the mark.

The commitments made must be both deep and motivated to withstand the problems. The irony is that we *must make our deepest pledges in the light of the least*

understanding.

The founder of a new venture will surely meet the consequences of each decision, good or bad, but at a future place and time...and whatever else, they will be in some way unexpected.

Finding Capital

It is a worn lament that capital is always most difficult to find when it is needed the most. Rarely is the new founder of a venture an expert at "money-finding". The need for immediate, sustainable capital cannot be deferred; some level of funding needs to give life, credibility, and resource to the new undertaking. So, the principals begin on the difficult path of convincing someone that their ideas, plans and implementation are important; hopefully even unique.



THE PRESENTATION PROCESS

There are a bewildering number of "standards" for business plan presentation. They range from a one-page executive summary to a hundred pages of detailed explanation of management, production and sales accompanied with a five-year plan. Presentation is its own art. Experienced, knowledgeable funding consultants require a great deal of what they are pursuing: money. The challenges in creating and delivering persuasive presentations can be onerous:

- Understanding the presentation requirements of the different groups:

- What do they want to see?
- How long should the presentation be?
- Who will be there?

- The repetitive iteration and the work-intensive nature of developing great presentations:

This can be a painful process. Both the amount and the kind of work necessary for such communication may be far different than developing a new product or service and putting together the organization to manage and support it. Running the gauntlet of presentation, playing money-politics is often frustrating for the beginning entrepreneur. The trials of money-raising too often resemble the very reasons he left his old position: appearance instead of substance; charisma instead of recognition of capability; meetings instead of productive work.

- Attaining credibility: Who do you know? What have you done? How successful have your past projects been?

The "pigeonholing" method is a necessity to the investor, given the sheer volume of requests, which he is asked to process. Ascertaining earlier success simplifies or obviates the more difficult, more meaningful task of understanding the import of the underlying idea. An individual is first categorized by his past, not by the strength of his knowledge, his idea, or his ability to manage or market.

SOURCES OF CAPITAL

Conventional wisdom lists three sources of capital for the founder of a new enterprise:

- Friends and Family

Often the solution to find new capital is to transfer trust from the underlying concept to one of the principals. This has the advantage of short-circuiting the presentation process, either partially or entirely. The investor invests because he either believes the founder or believes in the founder. Economically, this is often the best choice because the investor is usually not expecting a huge stock position or a large profit share. Instead, he is hoping to assist in the success of a friend or family member. Unfortunately, long-term consequences are often painful: if the company is successful, the initial investors believe that were not well compensated; if not successful, they conclude that they were told less than the truth. The stress to the new founder propagates into personal life, sometimes altering closest relationships forever.

- Banks

Banks are happiest to extend funds when they are needed the least. They willingly participate in two situations

- 1) when the funds extended can be collateralized (either through real property or through factoring receivables), and
- 2) when the revenues can be proven sufficient to repay loan amounts, and when it is demonstrable that such revenues will be on-going.

A new corporation rarely can provide either. If the founder of a company has adequate collateral (normally real property or stock) then loans can be arranged. Such loan documents normally contain language that the bank retains control of the sale of the asset, if the asset's value dips towards some defined level. These agreements cause interesting ripples in the economy: as stock or real property values decline, banks sell the assets, often at or close to the low point, to repay the loans.

The influx of property on the market, places downward pressure on values, causing still more property to be sold and the spiral continues. There is now a connection between personal assets and locally-owned corporate stock. Founders sell positions in order to retain their residences or other property. Now what has been purely a real estate low, spills over, into corporate valuation.

- Venture Capitalists

Venture capitalists take the risk when the company is non-bankable. Because they cannot guarantee the success of the company, they take large shares of stock and/or profits so that on average, they are successful. It is only a minor simplification to say that no matter how much money a VC invests, they want 50% of the enterprise. In the capital structure of a corporation, money leads to equity, which leads to functional control. Those who start a company, rarely participate in its eventual success.

They sell control for their pottage-stake, which is rarely sufficient to handle all the eventualities to make the company profitable. As soon as investors contribute money, either individually or as a group, a new job is created: investment-relations manager. In a beginning enterprise, that's the founder. Every investor not working in the company believes that he has a direct line to the top. He wants to know about product development, marketing efforts, new contracts, what the future holds, what bright people have been hired.

With a venture capitalist, that job is formalized. Regular meetings are set with the requirement of reports that analyze the performance of the company. Such structures go beyond the analysis of what needs to be done to make the company profitable, because that's not the goal. The goal is to address the comfort level of the venture capitalist, to calm him, to reassure him that the risk taken is not too onerous, and that calamity isn't about to descend. That level of service has to "suck" life from a new enterprise, and often promotes the failure that both the venture capitalist and the company's founder fear.

The principals of a company need to be deeply engaged in the health and growth of the new company; not preparing for the relentless approach of the next status meeting.



Finding Qualified Personnel

The problem is to hire people into a company with an uncertain future, an emaciated present and no past. The new founder finds himself cast not only in the role of HR, but “superhuman” HR. His old company had something tangible to offer. He has only handfuls of intangibles. His success depends on his ability to clothe those intangibles with possibility; with a life that sounds luring; with events that sound like they are certain.

Finding people and money simultaneously is the “Catch-22” of Western entrepreneurship. An investor wants both the idea and the personnel on-board before he invests. Qualified personnel want the assurance of financial resources before they commit to joining the company. The “two-faced dance” of young companies is to convince good people to “come on-board” because there is *present security and a bright future*, and then to convince investors to bring money because there are both a viable idea/service and good people.

Unfortunately, to solve this problem the founders of companies sell the only asset they have to sell – the “future.”

The practice of selling tomorrow's stock as today's promise either cheats the employee or leaks control from the principals.

Employees wind up coming for the wrong reasons: the promise of quick wealth rather than the opportunity to work at a position where their experience and capabilities can make a material contribution to the success of the enterprise. The alternative is, of

course, to find non-qualified personnel. Friends and family fill the gap again – not because they have a particular skill-set or capabilities, but because they're *there*.

Many corporations sow the seeds of their own destruction in the process of hiring initial staff. Firing an employee is traumatic, at best. Firing a long-time friend or, worse, a sibling or child can change the rest of one's life. Corporate implosions often follow a founder hitting stress “overload” – not because of incompetence – but because of *relationship failure* with important managers of the company.

The extent of such stress is directly proportional to the personal importance of the relationship.

The last solution to staffing a new company is the worst: *hire the incompetent and hope for the best*. These are the “tagalongs”; those that come because they have nothing better. Some of these can surprise and grow into a managerial position, sprouting skills as they go. But the more frequent outcome is a staff that lacks the organization, or the know-how, or the drive to build a strong company. They sing “doom” into the phones every time they answer; they drive “coffin-nails” with every shabby task they complete.

Managing a New Company

Many who leave a secure job in a solid company to pursue their interests in a brighter, better world go through a metamorphosis like something out of Kafka. Their intent was to go from oppressed underling to just and reasonable

benefactor. *Instead, they go from oppressed underling to incompetent oppressor*. The idea or technology that drives the founding of a new company usually isn't anything about management. The motivation of the founder is grounded in insight or experience or epiphany.

But management is the daily business of molding people into an organization where things happen at least somewhat competently; where the culture isn't too sadistic; where there is a direction towards profitability and success. The insightful, creative person is the worst to effect such growth. Seeing past the mark promotes little patience for the drudgery and mundanely to create the systems that build the company's infrastructure. The person who leaves another firm has deeper issues:

How do I form a culture, a corporation, where those that I hire don't do to me what I just did to my old company?

How do I protect myself?

How do I trust any of them?

How do I know what's going on in their heads?

What is it that they are taking from me while they appear to be working?

How do I catch them and root them out?

...Nobody caught me.

Non-trusting relationships are always time-consuming and counter-productive. Whatever systems are put in place to monitor and foil the untrustworthy take resources that are better spent growing the company. Whether any measures is implemented or not, the issue of trust does not go away. It leaves a sense of hesitancy at the top, an “uncertain note” which either

communicates uncertainty and lack of faith or miss communicates.

Building Corporate Infrastructure

The main business of a company is like muscle wrapped around a skeleton of supporting services, normally areas where a new entrepreneur has little or no capability. Such systems include:

- Accounting Systems
(including AR, AP, inventory, payroll and job cost accounting)
- Tax Management
- Cash Flow Analysis, Cash Management
- Computer Hardware and Software Deployment; Computer Network Architecture; Database Creation and Management
- Manufacturing Process Architecture and Management
- Marketing Strategies; Advertising; Marketing-Material Development
- Legal Counsel, Contracts, Agreements
- Culture Development
- HR; Compensation Plans; Health Benefits; Personnel Policies and Manuals
- Document Production; Printing
- Grievance and Complaint Management

The sum of all such services constitutes the *infrastructure* of a company. Such infrastructure may be the largest capital expense undertaken by a new company. Like any infrastructure, systems that contain mistakes-of-design are exponentially more costly to repair than they were to originally implement. The construction of such systems comes at the beginning of each new enterprise, when the resources required are either meager or non-existent.

Building the Physical Environment

The dirge of many small businesses is: "It's exhausting to do an above-adequate job with inadequate resources in insufficient time." Building a physical environment in which to accomplish the work-at-hand is a deceiving task. It encompasses much more than renting an office and installing telephones. It includes the complex issues which descend like a rush on the new company:

- Acquisition of Physical Space
- Cabling and Networking
- Purchase of Equipment
(as well as the decisions of how to fit capital purchases in the budget)
- Furniture and Work-Space Acquisition and Design
(What is going to be the *look*? Is there going to be a *look*? How is that going to affect the work being done here?
Are clients going to see me as thrifty or fly-by-night? Will my old den furniture fit through the doors in my office?)
- Processes and Procedures
- Protocols and Information Flow
- Manuals and Initial Training

Unfortunately, the new principal(s), whose time and leadership are the most vital at the beginning of a new venture, often are the ones that spend their time doing the least important of tasks. The wisdom of "penny-wise and pound-foolish" finds no better application than in the small company where the founder is painting (because it will save a little) or pulling cable (because he knows how) or moving furniture (because he knows a guy with a truck.)

The new entrepreneur must summon the every-day discipline to find a quiet place in the midst

of the storm and decide what is lethal and what is merely crucial. Priority comes clear in the answer to this question: *Can it kill me or will it just hurt a lot?* This same person is usually the one that has the vision but may not have developed the skill and capacity for management and delegation.

Unfortunately, fatigue and mundane pressures chip away at that vision until it is half-remembered among the noise and clamor of the day.

Communicating the Vision

If you can't communicate it, it won't happen. The implementation of *vision* rests on broader foundations than the insight, applicability, and experience that brought it to light. *Few ventures can be flown solo.* If the corporate team, other employees, partners, investors, marketing specialists, vendors, and customers cannot understand the central vision, it is dead on delivery.

The new entrepreneur sits at the eye of this storm as well as many others. Who will *sound the sure trumpet?* If the founder can't communicate the depth and the breadth of the company vision, who can? Unfortunately, this question is a *non sequitur*.

The job of *seeing* and the job of *telling* are absolutely distinct; absolutely separate. One does not imply the other. There are many reasons for the failure to articulate the vision:

Capability

It is not surprising that people who have great ideas may not have the stamina or the capability to communicate them to

someone else. The language of persuasiveness is *sexy, glitzy, compelling*. The language of development and understanding is often *boring, arcane, and abstract*. To find the capability to speak both dialects in the same person is a serendipitous, but infrequent, coincidence. One may try to penetrate by volume: I'll tell you once and, if you don't get it, I'll turn up the volume and try again.

Attempting to get someone to grasp one's own epiphany can try the limits of sanity.

Why don't you understand?

I've just said it. Can't you see the fundamental advantages of this approach?

Don't you see the implications that follow?

They almost tumble afterward if you just grasp the core idea.

Do I have to walk you through the whole process?

Having a seminal idea often is a solipsistic experience. Exactly at the time when an idea needs fleshing out, brainstorming, excitement, branches flashing to other areas of applicability; exactly then is when a new entrepreneur often finds himself alone in his understanding. Everyone else stands waiting for instructions with glazed eyes.

Time Constraints

If you tell the same story a hundred times, it will cease to be the same. Vision does not lend itself well to bulk communication:

Please read this "SPAM" email. I'm changing the world.

Excitement is a contagious state, but rarely through direct mail, or a corporate memorandum, or a 10 AM staff meeting. But in a one-on-one meeting:

You asking questions,

Me answering,

Me giving visual clues and gestures,

You hearing the enthusiasm of vocal volume and timbre,

Me affirming,

You have a chance of seeing what I see, what I have seen...

Such an experience may only take 20 minutes for the "presentee", but it's a hundred times 20 for the presenter. It happens over and over again – at the hundredth repetition the excitement has waned; fatigue has attenuated insight; the energy to be clear has escaped. The problem is one of priority: *saying vs. doing*.

One entrepreneur likens communication to blowing air into a balloon with a slow leak. Investors especially need to be reassured often and again. Such communication is not a discretionary activity: part of the success of the company depends on keeping investors involved and calm. No matter how little or how much the stake, each investor sees himself as a major owner.

But if every investor has a direct line to the top, little else will be done; the company descends into a kind of *thrashing* where housekeeping replaces progress and productivity.

Communication Forums and Tools

Of course, there are tools and methods to make communication efficient while retaining much of the fire and ferment of the vision. Such presentations take time and expertise. The tools take capital and know-how. The pressure to communicate often obviates the preparation of making such communication efficient and persuasive.

We're too busy doing it to do it well.

Understanding the "Real Life" Consequences of the Idea

Ideas inside one's head always look better than after they are birthed into the real world. An employee who develops an idea while still employed elsewhere has the distinct disadvantage in that the idea must be contemplated alone. Such ideas are developed in a vacuum and don't have to survive the normal challenges, testing and evaluation of the corporate environment.

Corporate policy kills a lot of good ideas, but they eradicate stupid ones as well.

The frank interaction of one's peers; the passionate argument for one's own viewpoint; the changes and morphing that occurs after heated debate constitute the fire that heats and hardens good ideas.

The work environment and work politics may rarely provide for such honest exchanges.

But if one must keep everything secret; if every conversation is a possible security risk *now* and possible trouble *later*, then the idea leaves the company with the employee, untested, dull, and unchallenged. Perhaps the most pathetic realization is that when a venture fails, *the necessary information needed to be successful was present at the outset*. Hindsight may be 20/20, but not looking forward at all is blindness.

It is absolutely imperative that new ideas, ventures, schemes, and organizations be tested by the most assiduous measures thinkable.

Foundations for a successful venture must include the understanding of:

Why Like Ventures Have Failed or Succeeded

What Tools or Data Are Applicable To Analyze The Ideas, Services Or Product

How Do I (Or We) Educate Myself (Or Ourselves) To Be World-Class Experts In This Specific Kind Of Business?

How Do I Gain Sponsorship (From Investors Or Principals) To Make Sure That This Kind Of Analysis And Design Has Priority Above Any Other Expense?

New entrepreneurs should be required to have tattooed on their forehead,

"Stop!! Design first."

Unfortunately, the entrepreneur that designs alone, in secrecy, designs his own lack of knowledge and information, his "holes", into the whole. Openness and discourse about one's ideas brings a further advantage: in an "open" environment it is more likely to find whether similar lines of work have been undertaken by others.

Discovery of possible *copyright infringement, patent search and study* are an absolute requirement before expending material resources. If an idea is hatched in the dark, one may expect that it has either been done before; has gaping failures or that it is only a phantasm which cannot breathe the air of the real world.

The inability to test an idea fully leads at least to foolishness and, at worst, to sacrificing something – some or all of the tangible and intangible assets of the company – for nothing.

Facing the Legal Consequences of One's Actions

It may be true that employers rarely prosecute on the basis of non-compete or non-disclosure agreements. However, that fact does not mean that the risk is negligible. If the past employer does prevail; capital, relationships, human resource, present and future credibility, profitability, viability –indeed, the existence of the new venture itself – are at risk.

Note that non-compete/non-disclosure agreements may be either explicit or implicit. Only a court can decide what agreements have been entered into through employment. It is disconcerting that any particular court may adjudicate that question differently on any particular day. The risk of violating an agreement or taking real and/or intellectual property is two-fold:

The Option to Sue Is Left at the Employer's Discretion;

And The Proscribed Remedies Are At The Discretion Of The Court.

In Neither Case Can The New Enterprise Be Proactive.

Both risks directly attack the security of the venture, which is most vulnerable in its infancy.

Facing the Emotional Isolation Being in Charge

Promoting oneself, promotion-by-fiat, is the quickest way to the top. However, the isolation of being *the guy*, being where the buck *always* stops, if not unexpected, is at least unnerving. The one good thing about management in the old company was, even if they

were stupid, at least *they were in charge*. The reeling ascent to the head-office leads to business culture shock:

"I used to gather with the other guys at the water-cooler and complain about the dead-wood at the top. Now there are no other *guys* to complain to. *I'm* at the top and the group at the water-cooler gets really quiet when I walk by."

"If I didn't know how to handle something, I just gave it to my manager. There are all kinds of stuff I don't know how to handle. Whom do I give it to?"

"Whom do I talk to that doesn't have an axe to grind? Not my investors. Not my employees. Usually not even my board. My decisions are starting to resemble the Big Bang theory."

"How do I trust my employees? How do I know they're not trying to make me look bad and doing a side-deal with the investors or other members of the board? How do I know they're not taking their best ideas elsewhere? I did."

New CEOs, new management, normally don't have a lot of training time. There is a time fuse burning; the company has to be profitable or robust enough to show viability, and do so quickly. In the very beginning everyone – investors, other management, employees – are holding their collective breath. First mistakes, like first impressions, can be disastrous and second chances come dear.

A new founder realizes that *control*, like the *law*, isn't ordained from on high. Instead, it's an *agreement* between all the factions of the venture and early errors entail the loss and redirection of that control, which

most founders assume is the birthright that came with their initial idea or design. Control isn't a birthright. It's a onetime gift that seeps away with every mistake.

More Work, Less Money, Less Time

It may feel that the world is conspiring against the new entrepreneur. Exactly at the time when there is a quantum jump in work-stress, there is a corresponding surge of stress in the new leader's personal life. Often eight-hour days and regular paychecks become a dim memory. An entrepreneur may be earning a great stock position through sweat-equity, with emphasis on the sweat. For good or ill, money greases the skids of life and at the beginning of a new venture the skids often get very squeaky. While solving the greatest work-challenges, ever faced, the new entrepreneur must put personal budgeting and safenets in place. The dictum and warning for the new founder is this:

The largest professional challenges are accompanied by the greatest personal crises.

Losing and Replacing Benefits

Considering the loss and replacement of mainstream benefits, the new entrepreneur must immediately confront other infrastructure questions:

How do I quickly become educated on "benefit terminology"?
What is a "cafeteria plan"?
Do I need one?

Who do I talk to, to set up my 401K, my health and insurance benefits?

How much will this cost?
How do benefits affect corporate tax structure? Can I use tax savings to fund some of the benefits?

What is the legal definition of "fairness" as regards benefits? What do I need to provide my employees so as not to incur liability?

What are the requirements for noticing my employees of their benefits? What should be in the employee manual?

What language is contractual vs. merely advisory?

The infrastructure risks have been addressed above and they are material. However, the real risk of benefit replacement is not whether to choose an 80-20 or a 70-30 health plan. *The real risk is medical and disability risk during and after the change;* it is removing the net while walking the wire:

What happens if I incur major medical expense before my medical plan is in place, or during the trial period?

Even relatively minor sickness can cause financial catastrophe when that sickness is not covered by quality medical insurance. Also, the job change itself may downgrade the level of coverage; history is now available that may not have been earlier. The present company's insurable group may be a smaller group with higher premiums, higher deductibles and less coverage than the former plan.

Prescriptions and office visits may now have a co-pay or not be covered at all. Peripheral medical services – eye care, dental, psychiatric help – may not be covered at all in the new plan, and new entrepreneurs may have greater need for such service, especially psychiatric.

If I am disabled by accident or illness, what contingencies are in place so that I can support myself and other dependents? What are the consequences of disability?

Few companies, especially smaller ones, make any provision for disability coverage. Disability insurance is a great deal more costly and often provides for much less than the current standard of living.

Being disabled is a great deal worse than being killed.

I can at least provide fairly inexpensive term insurance to provide for my beneficiaries if I die. But if I am disabled, I may not be able to work or be as well compensated, my care places further drainage upon income, and whatever guarantees or monies I have borrowed to begin my new venture will come home to roost, like disagreeable, ominous crows.

A disabled person is often treated unfairly. He is judged before the fact; it is presumed that whatever his disability, it has diminished his work capacity. "Did you hear about poor Bob? He quit ACME to do his own thing, and then got Parkinson's. The whole thing failed – I saw him in here today. I feel bad for him, but I doubt he can do anything for us." The point is that an "abled" person is judged and hired as competent; that judgment only to be refuted by later experiences to the contrary.

A disabled person is initially thought of as incapable; this position is again only controverted by converse experience. The consequences of such bias are devastating:

The “abled” person may survive even serious lapses of competence because the initial impression was that he is able. That was why he was hired. He is seen as a competent person with a few blemishes.

□□The disabled person may not even get the opportunity to show that his disability is irrelevant to his capacities. Even when he shows glowing, surprising capability, he is seen as a blemish with a few bright spots. He may have to continue fighting initial biases

Risks involving sickness or disability increase dramatically after leaving a stable position. It’s not right that we treat the principal of a smaller enterprise differently; it’s not fair that it costs more to provide comparable coverage to him than in his old company. But until we find better, more equitable ways to approach health and disability benefits, those increased risks are both real and dangerous.

The conclusion is, of course, that the risks facing the new entrepreneur are both numerous and dangerous. There is an astounding consequent of this risk analysis: Whatever risks the new entrepreneur takes, these still seem safer than trying to find fairness and the opportunity to develop ideas within the traditional corporate structure.

This determination underscores the corollary insights: □How strong the adversarial conception of the corporation is in the minds of the employees that leave, as well as many who stay; □How powerful the urge is to be treated fairly; to be fully engaged; to be more than just a mechanism of production. (This shows the

essential misunderstanding of Marxian economics. It is not the product, the “object”, by which the worker values himself but rather the *subjective engagement process of meaningful work*. Such engagement allows the worker to choose, create; to be responsible, involved. The world of mental work draws me because in some final sense *I am in charge*.)

The hypothetical questions descend; show what form solutions must take: If I could harness this raw amazing power, this drive to be engaged; if I could keep such in the corporation; if I could be truly fair with my employees; if I could nurture their best ideas and compensate them well; if I could protect them from the ‘nay-sayers’;

What incredible benefits might accrue to my company and to my employees?

These questions are not rhetorical – we can either seek the answers or let the questions seek us. The metamorphosis to engaged, meaningful work is underway and has geometrically increasing impetus.

The Process of Leaving the Company

What Comes Before Going? What Motivates Separation?

The process of becoming separate from the enterprise in which a person is currently involved is interesting. An employee turns from being bound (mentored, rewarded, respected, succored protected) to a company

and becomes antagonistic to that enterprise and/or the people that are involved in it. Such a change is not a change of a few degrees, but is diametrically opposed to one’s former attitude.

What formerly sheltered and protected the employee is now that which threatens. What contributed to open relationships must now be closed. What was shared must now be withheld. Poignant, powerful events and instances must be present in order to push an employee out of the corporate nest, and yet these events are so common that employee instability and new employee acquisition/ training threaten the existence of many—especially small to medium -- corporations. Such events include:

No Corporate Infrastructure for Novel Idea Development

A corporation rarely gets where it does not plan to go – serendipity is a pleasant concept, but reaching a corporate goal doesn’t happen without commitment, planning, and allocation of sufficient resource. It is a fact of traditional Western business models that there rarely is a “department” or “division” dedicated to the acquisition, evaluation and development of novel ideas.

Even in companies where resources have been set-aside for Research and Development, such research is along product or business-line interests.

The open-field demanded by whole-business creativity is impossible to contain in traditional research models.

The easiest answer to why in-house employees don’t take their

best ideas to the company lies in a question: *Where would they go?* Traditional lines of authority are exactly antithetical to the nurturing of such ideas. Novel idea development isn't just a new task to be attacked; it isn't just a part of the corporate "to-do" list. Instead, it is a fundamental change in the corporate culture, in values, in models of compensation; in understanding where the true assets of a company lie.

We have models for profitability and revenue management, and many companies have succeeded by following them. We have models for time management and production efficiency, and have succeeded there as well. Few companies have any workable models for idea development that include fair compensation, objective evaluation and employee engagement. It is then not surprising that we have not arrived where we did not plan to go.

Seeing One's Interest Antithetically Opposed to the Company's

The twentieth century has given a new meaning to an old word: *stress*. Stress no longer is just a physical description of what happens to a structure or materials under constant use and pressure, but it is also a description of individuals who feel the consistent pressure of *coping*. Stress includes a host of other "new" words that describe the concerns of workers in today's mobile and changing world: "quality-of-life", "personal space", "corporate ladders", "the rat-race", "dog-eat-dog", etc.

The workplace is often conceived as a threatening environment –

coworkers are described as competitors for a scarcity of resources, "jackals circling the carcass." A host of attitudes surround such discontent:

I hate coming to work.

I don't want to be here.

I take the stress home with me.

I feel like I'm carrying a burden 24/7.

The mental attitude engendered by such beliefs is destructive to an employee's ability to make material contributions to the company. The focus on misery must find its own resolution, even if such resolution is blaming others, rationalization of inept work and justification for one's own failures. In the beginning the company is seen as nurturing, mentoring, and providing.

Such beliefs make the change-of-attitude more painful, more alienating. The process of acknowledging that *my* interests are in contradiction to *corporate* interests is only a first step, but it is often this step which starts the search for an idea, a relationship; a product that will let me go somewhere else and find a better world; a nurturing environment, a *safer* place.

Unfair Treatment (As Valued By the Employee)

The feeling that one is not being treated fairly is destabilizing to an employee. These feeling may be caused by incidents unnoticed or considered trivial by others in the corporate environment. The following list details just a few of the reasons that an employee decides that somewhere, somehow there must be a better

way.

Perceived lack of support;

Embarrassing comments or attitudes of one's manager;

Failure to fulfill promises of career track or job responsibilities;

Ideas stolen by coworkers or by upper-level staff;

Lack of compensation or appreciation for hard or careful work;

No connection between the well being (profitability) of the company and correlate employee reward.

When that idea first dawns – that I am not appreciated or well treated – a situation has been created that must be resolved either by rationalizing or righting the wrong, or by separating oneself emotionally and eventually physically from the company.

Specialization

As processes become more technical, it is often the case that only a single person (or a few people) in the company may have the specific knowledge to fulfill a specific duty. Specialization, without structured bridges and connections to the rest of the venture, must ultimately lead toward isolation. Isolation, in turn, leads to a feeling of my own separateness.

If I am not able to express my ideas to those around me, there is no way for them to give me anything but patronizing respect. The problem is made more difficult by the fact that my universe of corporate relationships is *always a subset* of the whole. There may be someone else who has sufficient knowledge/experience to appreciate what I am doing, but

in most companies, my relationships are limited to those with whom I office and meet.

Physical Separation

There is a class of employees who spend most of their time geographically separated from any corporate group. Turnover is always higher among these employees than those who have the opportunity to develop a nexus of relationships with co-workers.

Social structures ultimately overpower organizational structures.

If I am working on a contract for my employer and a competitor purchases/replaces that contract; the move to the competitor's company is easy, given that I stay at the same place and salary.

An employee's loyalty is often transferred from a corporate entity to the project being worked on, especially if that employee is physically "out-of-the-office." The jargon in the business literature for such relations is "Communities of Practice." An employee will inescapably form ties with his co-workers and to those to whom he is responsible, *regardless of organizational structure.*

Working Below Capacity

One manager remarked that all he had to do to get innovational ideas and plans was to promote people.

The correlation between what a person's job description is and what he really does and what he really wants to do and what he can do,

if challenged, gives a universe of

variance. The urge to use one's capacities fully, to be challenged, is strong even among the most self-absorbed. Not being engaged is a wedge that is hammered in daily between the employee and the corporation:

It promotes "square-peg-in-a-round-hole" thinking – "if only I were doing x... – I'm just not meant for this position."

It provides "boredom time" which in turn makes the employee depressed or lets him direct his attention to ideas in which he can become engaged, normally outside of his regular corporate activities.

It convinces him of the incompetence of corporate management. "Why can't they see that I'm more capable than this?"

It makes his work into a "role-playing" exercise rather than engaged, rewarding involvement. The telling quote from the Russian factory worker is: "They pretend to pay us and we pretend to work."

The Lure to Leadership

When an employee lifts his head from those boring tasks that inevitably comprise some part of his load, it is the "siren-call" of leadership that is heard. "I can do better. I know more. What constricted perspective are my managers working from? Why don't they ask the guys in the trenches? Why don't they ask me?" Narrow beliefs or one's own "blinders" may, even wrongly, motivate and inevitably separate the employee from the projects outlined by managers.

But when ideas flow along lines of authority, there will always be the justified criticism that they flow, often devoid of merit, along irrelevant

pathways communicated by the weakest links.

Such a system, ideally designed to delineate and implement ideas, instead is really built to sponsor disloyalty, splintering, and ultimately disassociation, at all levels.

The Steps Taken When "Stepping Away"

The actual process of divorcing oneself from a company is simple:

As noted above, seeing one's own interests separate from and antagonistic to that of one's current employment;

□ Either from misery or the will to succeed, searching for some idea – any idea – or some product – any product – or some service – any service – to escape the current situation and begin a new one;

(Note that it is often, if not always true, that discomfort and stress are the midwives to our best ideas. There may be epiphanies that strike out of the blue to the happiest and most content of us, but that is the exception. The irritants of not belonging; of being treated unfairly; of oppressive stress; of hurt; of perceived betrayal – these are the causes of our best insight; our clearest revelations. The bit of sand which is both irritant and "seed" to the pearl is instructive.) Seminal ideas don't fall like manna; they are the answers to the most motivated of searches. Those ideas, when found, don't even have to demonstrate a great deal of merit. They will be propped and nurtured until they appear likely enough to sustain a separation

and a new start.

Seeking for support and some measure of future safety while still employed;

Considering risk, either casually or deeply, either ideally or actually manifested;

“Cutting-the-cord”;
breaking with one’s current employer; beginning to face up to actual consequences;

Continuing to seek support from the original employer after leaving;

Incubating your competitor, after birth, is both surprising and unexpected. An employee, especially a valued one, continues taking after he is gone. Such “taking” may be intended or not, overt or covert, but it is always there:

Appearing at the office to talk to old colleagues, taking both time and possible ideas or developments;

Visiting contacts after leaving;

Asking for help for specific projects/problems that have no possible profitable outcome for the old corporation;

Distracting current employees by the accomplished escape from their environment; either by overt visits/ conversations or by the covert *fait accompli*;

Hiring current employees, either full- or part-time; (Full-time may even be better for the company. At least then they aren’t trying to serve two masters. When an employee works part-time, especially for a new competitive venture, his integrity and capability at his day-job is highly questionable.)

Gaining unauthorized access to physical equipment; software and materials through colleagues;

Using the reputation and experience of the old company to establish credibility for the new venture;

The Historical Pressure for Engagement

Work has always occurred in both the mental and physical realm. From the rudest implements to the flying buttresses and intense design of the Renaissance, mental work has been essential and precedent to idea implementation.

Why has this issue become so critical now?

Why have the demands and complaints of the employee become so insistent, in some cases, even militant?

Why is top-down control slipping?

Why is momentum building towards a new kind of paradigm?

The “Democratization” of Knowledge-Work

Knowledge work has been alive since man’s initial conceptions. However, because of the state or lack of technology, such work was small in comparison to the actual implementation of the idea. Consider the role of few who planned the pyramids compared to the man-years of those who hauled and placed the stone. “Designers” were part of their own “elite” – they empowered the actualization undertaken by the masses under the guidance or whip of their managers. *The term “knowledge worker” attests to the change.* Many, if not most, of the workforce is engaged in some kind of design activity.

The Profitability of Design

We have begun to realize that at least half of our efforts should be spent in virtual endeavors;

because mistakes and restarts in the real world are much more costly than those in the mental realms. The use of modeling has increased over the centuries. But our modeling tools operate on and create a “cyber-world” where effects and consequences are quickly realized. Before the advent of such computer virtuality, modeling was itself a material physical task. Compare the task of modeling a cathedral during the Renaissance vs. the task of modeling the same structure using a 3D modeling program. The physical model is stubborn; persistent. The virtual model is responsive to change, to hypothetical queries.

The Capability to Get Answers Where Until Recently There Weren’t Even Questions

The work world is evolving towards considering the most complex of models. We can begin to consider the wheels-within-wheels construction of our physical and biological world. We have mapped the human genome – much of our corporate life will be spend using or developing products which weren’t even thinkable a century ago. *The medium used in constructing the model defines the level of complexity which can be considered.* The virtual world of models affiliates with our mental world much more closely – if we have to build models of wood and stone, we are limited in our considerations by the physicality of our medium. But our virtual world transcends such limitations. Consider fractals. Such considerations are only possible in a cyber-world where fuzzy-borders and infinite regressions become reality.

Such complexity necessitates the mutation of specialists who may not be able to be coherent about their deepest insights, because so few have the necessary background

Management is put in the situation of having to accept their word, rather than deliver the word.

Such knowledge is power and will have its due. The traditional workplace is alien to such capability; was never meant to succor such workers.

The Profitability and Miniaturization of Mental Artifacts

The difficulty of hiding or transporting a cathedral model is obvious. We have transcended that problem: complex models can be stored on CDs, RAM chips, hard drives; the same models can be transmitted to other locations with no or little trace. The capability to be secret, to copy or transmit our most complex ideas and work has given the knowledge worker bargaining chips that he did not have nor were they anticipated or planned.

Fairness, adequate compensation, employee engagement and control absolutely will happen with or without the nurturing support of extant corporations.

Our work-world is being propelled towards a *paradigm-shift*. No amount of authoritative pressure will stop that process – extant corporations only have the choice to adapt and profit from this change, or to resist and decline by reason of it. The old saw “Making no choice is also a choice” applies.

The known unfairness within the organizational world has pushed many an individual to test their hopes in the fairness, yet unknown, of the outside world. The reality, which they soon discover is that both environments are capable of producing the same type of results. Challenges within the company are replaced for new challenges outside of the company. Exploiting the work of others for personal gain is not only a popular M.O. of unscrupulous managers; it is also the stock and trade of many partners, venture capitalists, and financiers.

Changing the Organization

The challenges an employee feels when trying to communicate an idea to a team of other people who have not yet caught the vision, is only exacerbated when those others are also the shareholders, employees, officers and directors of the new venture. There is a shocking irony understood by those who leave an organization to pursue a new idea when they come to realize that most of what they need to convert their dream to reality still exists at the organization which they just left. If the new idea succeeds it frequently creates a counterpart to this irony, experienced by those who, for want of vision, could not grasp the idea, or for other reasons were influential in pushing it out of the company. With each successive step the profiting idea reminds those left behind that it, the idea, and the visionary individual behind it, was with all of its attendant opportunity, once available to them.

The solution is not in merely leaving an organization. Leaving only exchanges the roles of the players within the context of a larger but equally dysfunctional world. In time, as the employee transitions from worker to boss, so also shift the job descriptions and responsibilities. The duties of the former employer quickly become the aspiring leaders’ daily burden. Like the pigs in Orwell’s, Animal Farm, new leaders, however well intentioned, may find themselves, acting in the self same manner as those whom they had formerly disdained. The solution is in organizing companies around those matters, which now matter most. During the great era of the industrial revolution, production seemed to matter most, but productivity could be observed, finished units could be counted, and efficiencies could be statistically reported.

The unobservable nature of knowledge work changes everything. The only access companies have to the life-blood of new ideas is the voluntary endowment of these novel ideas from individuals who are willing to share them for the benefit of the company. The private realm of intellectual work makes it unresponsive to former management tactics. More than ever before people, today, are empowered take their ideas to an open market. They share their thinking with us only when they feel it is in their best interests to do so. Leaders who want their organizations to succeed in this new idea economy will be interested in evaluating the management style within their organization. They will evaluate the contrast between motivators based in fear and others based in fairness. They will seek tools, which help employees understand that fairness is a two-way street, with responsibilities and trust required on both sides. Yes, the world has changed, and those who want to survive and thrive will have to change with it. Otherwise, you may just be incubating your own competitors.

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