Focusing On Everything Is A Recipe For Disaster

Dr. Anastassia Lauterbach
Managing Director EMEA The ExCo
Leadership Group, NED, Professor for

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Lauterbach: Walk us through your leadership journey and share two or three moments that have led to where you are now.

Kroghurd: At the age of twenty, I joined the Navy. The Norwegian Navy's structure demands that you get a lot of responsibility as a young officer: There aren't large ships, and you must lead very early on. You discover repeating patterns as every year crews change. You must build a team from a group of young people on their mandatory military service and the more seasoned officers. After each summer break, you reshuffle the deck. You get to start all over again. As you operate closely with a squadron of six ships, you get

to observe what goes on onboard the other five vessels, and you learn from your own mistakes. Statistically speaking, each of these ships should have a similar ability to perform. The actual performance, however, which is measured very carefully during rigorous training and inspections for battle readiness, varies greatly. The difference often boils down to leadership. To me the Navy was a fantastic learning experience.

I left the military after seven years, studied, and joined the business world during the dot-com days, co-founding a software company in 1999, where I became CEO. 13 years later, the business had 300 employees. This was quite a journey of growth, forcing me to see how leadership needed to adjust to the stage of the company, the actual challenges, and the talent required. Being a small startup limits what you can do in terms of funding and resources, but it remains nimble. Once your organization achieves a specific size, you need systems.

Many of the top pick of management theories got invented by white men in manufacturing companies more than a century ago, with focus on value chain management and production. Today knowledge is at the heart of everything. In 1999 we were hiring people with excellent education. Most people that I hired were smarter than me. You could not lead them in an old-fashioned command-and-control way from the leadership books of the eighties. I learned that we needed softer and very different systems to make knowledge workers give their best.

Lauterbach: What is the hardest thing in leadership for you?

Kroghurd: Part of my leadership style has always been treating knowledge workers as people, not as assets. But building a startup sometimes feels like an endless series of bad news. You try to do something, and it doesn't work out. You must scale down. Executing difficult decisions and living with them, hurting people you love – and who love what they are doing - is by far the most challenging part of the job.

Lauterbach: How has your CEO experience translated into your current board roles?

Kroghurd: Having been a CEO for many years makes it

easier to relate to the challenges of the people running the companies where I'm on the board. I'm probably most helpful when I can help founders to simplify a situation that might seem complex. People are trying to bite off more than they can chew, doing too many things. Identifying must-win battles and taking away everything that clutters simplicity is paramount. Focusing on everything is a recipe for disaster.

Lauterbach: Did the pandemic change your thoughts about leadership in growth companies?

Kroghurd: Before COVID, we read about remote teams in *Harvard Business Review*, thinking, "Yeah, right. That's not going to work." The pandemics showed us it does. I was used to being very close to people, first on a naval ship and then building startups. The fact that things can work very well remotely has been an enormous realization. Today I'm trying to find the best people wherever they are. Besides, we see the actual value of leading much better. We've better understood when to meet in person and what to put on the agenda. Keeping a balance between what is remote and what happens when we are together is crucial. If you're remote only, you get into a whole new set of problems. You ask questions like: How strong is the glue that binds teams together? Do people really understand the strategy?

Lauterbach: How do you think about trust in business?

Kroghurd: In the Nordics, we have the luxury of having a high-trust environment, which lowers business costs. You don't need lawyers to check everything or have a 100-page shareholder agreement. At the same time, entrepreneurs must explain how their businesses operate.

It is difficult in a country like Norway with a large public sector and all the political debate if the actual word "profit" has a negative ring in large parts of society. This needs to shift. A trait of the Nordics is that there is faith in the public sector, which takes care of people. Health care is free. Higher education is free. You must have robust public and private companies to make the system work. To some extent, running a business aims to build a profit, but we need to show that it is done responsibly and sustainably.

The whole system is in motion today, from the investor

community asking the "how" questions to new hires caring much more about purpose. Being careful about what reporting we demand from small companies and what large corporations need to disclose when it comes to ESG is a balancing act on its own.

Lauterbach: Today's economic environment is challenging, especially if you start a new business. What do you think about resilience in this context?

Kroghurd: We had many years of low or no interest rate and low or no inflation. So essentially, money has been free. Even a lousy project would get equally good terms on loan as a good venture would. This has led to an unhealthy overvaluation of the entire technology sector. All of a sudden, profitability and resilience is fashionable again.

In the last 12 months, a large number of people have been laid off in the tech sector globally. Still, companies are shipping their products and services. In this context, resilience isn't about a new kind of people, but, in whatever sector, about resetting our minds.

People have always talked about unicorns, when young tech companies are valued at over a billion dollars. But we are now talking about cockroaches as an alternative to unicorns, and the cockroach is, of course, a little annoying bug, that can survive a nuclear war.

Lauterbach: What does a board in a growth company look like today?

Kroghurd: My metaphor has always been: Will it make the boat go faster? The smaller the company and the more growth it produces, the more active role the board must play. In a large, mature organization, there is a limit to how much a board of directors can influence. They exercise some control. They can afford to look at the big strategic moves, e.g., a significant acquisition.

In a small company, the litmus test of a board meeting is going back to the management team and asking them, "Did you get anything useful out of this meeting? Did it make the boat go faster?"

A smaller company's board should change more frequently

than larger boards because everything changes faster. You need people that are brilliant in specific areas. Then once the company, over a few years, has acquired a good skill set in that domain, it is time to look for new talent on the board.

Lauterbach: What advice would you give your younger self today?

Kroghurd: Things might look big and shiny, but they're not, especially if you work with large corporations. A big, glossy front does not reflect on what's inside. You shouldn't be afraid of competing within an established market, even if it has some seemingly outstanding players.

Big organizations tend to get inert when it comes to staying innovative and agile.

On a more personal note, you shouldn't care so much about what other people think. You spend so much time and energy, both in your personal life but also in your career, in trying to dance to someone else's tune, or thinking about the optics. It's mostly a waste of time. I'm trying to put that lesson into my three daughters.