



Andrew Thompson

Building A Company Is Easy. Building a Business Is Difficult.



Adam Bryant [in](#)

Senior Managing Director at The ExCo Group; Author, "The Leap To

November 8, 2023

Andrew Thompson, managing director and co-founder of Spring Ridge Ventures, shared timely insights with me and my colleague, David Reimer, CEO of The ExCo Group. [Subscribe here](#) to receive all our interviews with board directors.

Reimer: How have conversations evolved in the boardrooms of companies, particularly with the younger companies you work with?

Thompson: There's been a fundamental shift in the capital markets in the way companies are valued and viewed, and that is a shift from growth to profit. What that means is that

you don't have to be a profitable company per se, but you have to show a path to creating a profitable business. So in the tech world, and in the health care world that's affected by technology, there's more of a focus on: What is the business that you're going to build? And how does that become profitable?

The problem with the earlier focus on growth is that you can grow very quickly, thinking you'll make it up on the volume. The problem is that if you never make any money, then the volume doesn't help you. This has been a pretty big shift in the way in which people have thought about valuations and the way in which people conduct their businesses.

And because of everything that's going on in technology—hyperscale computing, AI, low-cost sequencing—we have the opportunity to build new platforms. That's super-exciting, but nothing can ever become a platform until you have an actual product. That requires difficult decision-making, because you have to decide what you're going to do and what you're not going to do, and then build a ladder of “now, next, and later.” People are very challenged by that. They just want to talk about their platform.

Bryant: What are the leadership implications of this shift?

Thompson: There needs to be a much heavier emphasis on proper board structure and governance to support these companies, and on coaching of young, very smart leaders who are very digitally native but don't necessarily know how to build a business as opposed to how to build a company.

Company building is easy. Business building is difficult. Company building is about the production function, and business building is about the consumption function, and that's where the big shift is coming about. Business building means creating things that people want to buy a lot of soon, to borrow a phrase from Tommy Davis, who was one of the original VCs in Silicon Valley.

That's hard work. It's difficult, ambiguous, and adaptive. Most people hate that kind of thing because there's no “right answer,” and it involves a lot of stress and a lot of difficult choices. Most people like to do the other thing, which is to work hard. That's easy. I want to hire people. I want to rent

space, buy furniture, and do a lot of activity. That's the production function, and it's really easy and fun. But activity isn't progress if it isn't tied to clarity of the consumption function.

Reimer: Other big shifts you're seeing?

Thompson: The way we used to think about building businesses involved interactions focused on buildings, people, products and professionals. That has shifted in many cases to interactions focused on mobile devices, software, services and consumers. We are now moving to interactions based on sensors, AI, solutions, and autonomous. You can see this latest shift clearly in transportation: the professional product is a taxi; the consumer service is an Uber; and the autonomous solution is a self-driving car. These shifts are happening much faster than people realize.

Bryant: What are the most frequent themes that come up when you coach leaders?

Thompson: I often talk about leadership in terms of "what, who, and how." If you are the leader, then you define the objective. And it's really important that you define it with great clarity, along with the resources available to accomplish the objective. That's the what.

Typically, a leadership team will then collectively decide who is accountable. That's the who. And then you let them decide how. You never interfere with how, ever. Because once you're telling people how to do their jobs, they're never going to do it. And you can't have 50 objectives. You want to have one accountable person with one clear goal and objective. That is a very big theme of coaching.

You want to have one accountable person with one clear goal.

Number two is that leaders often say that people are the most important part of their company. But actually the most important part may be your people processes, and the way in which you ensure that your employees are very high-performing.

The third point is that as a CEO, what you say has enormous impact. And you need to make the most of that impact by being clear about the question you ask. Many years ago, I worked at Medtronic when Bill George was the CEO. He consistently asked only one question: "How does that make a difference for a patient?"

He never asked, "How are we going to sell that?" or, "How much money are we going to make?" The approach had an incredible effect on the entire enterprise because everybody always knew what the right question was, and it shaped the way the company approached innovation. If you ask the same question over and over as the leader, then everyone else in the organization will ask the same question.

Reimer: There's so much polarization in the world—over politics and sometimes even facts—and employees often bring those worldviews into their companies. That's created another leadership challenge. What's the role of the CEO is navigating those hard conversations?

Thompson: A lot of younger folks who are coming through our university system today are not as grounded and attached to reality as you might like, which can make having those conversations very difficult. That's a source of frustration for a lot of leaders.

So I advise leaders to steer clear of starting conversations where they say, "But it looks like this. This is reality," because you might get a lot of pushback on that. Instead, it's better to have an exploratory discussion where you say, "Okay. What is really going on here?" and allow people to have a voice and, as much as you can, allow those people to get connected to reality.

For example, there's lots of pushback right now from people about having to come into the office. What I've said to leaders is that they shouldn't say, "You have to work in the office." Instead, they should say, "We need to find ways in which we speed up the rate at which we develop products, and share information and interact effectively. So how might we do that? That might mean that we have to spend some time every week in the office."

You have to be very careful about how you have that

conversation, of course, because there are many people who are very talented and very capable, but they've grown up in a relatively prosperous time and they may not be fully grounded about what their employer needs and wants from them.

[Subscribe here](#) to receive all our interviews with prominent directors. And for more leadership insights, check out our other three interview series with [CEOs](#), [CHROs](#), and [prominent Black leaders](#).