

Creative Bridge ~~Workshop~~ Webinar ;)

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MM.LAFLEUR
NEW YORK



Today we will talk about...

- Operations and general startup life at different stages
 - In my case at M.M. LaFleur: 2 to 200 employees, \$0 to 75M revenue, from tutoring on the side to raising our Series B funding
 - We'll look at example operational challenges at 3 people, 15 people, 40 people, and 150 people
- Time for Q&A at the end





But first, a little about my
background.

Let's step back in time,
to the year 2013...



M.M. LaFleur's Founders

Miyako Nakamura
Co-Founder & Designer

Zac Posen | Theory
Jason Wu

Sarah Miyazawa LaFleur
Founder & CEO

Bain & Co. | Starwood Capital
Harvard University

Narie Foster
Co-Founder & COO

Bain & Co. | Foxrock
Cornell University

Side A.

Appropriate for the office but lacking sophistication, quality, and joy.

J.CREW

BANANA REPUBLIC ANN TAYLOR



Side B.

Good quality but expensive and not easy to select, to style, or to care for.

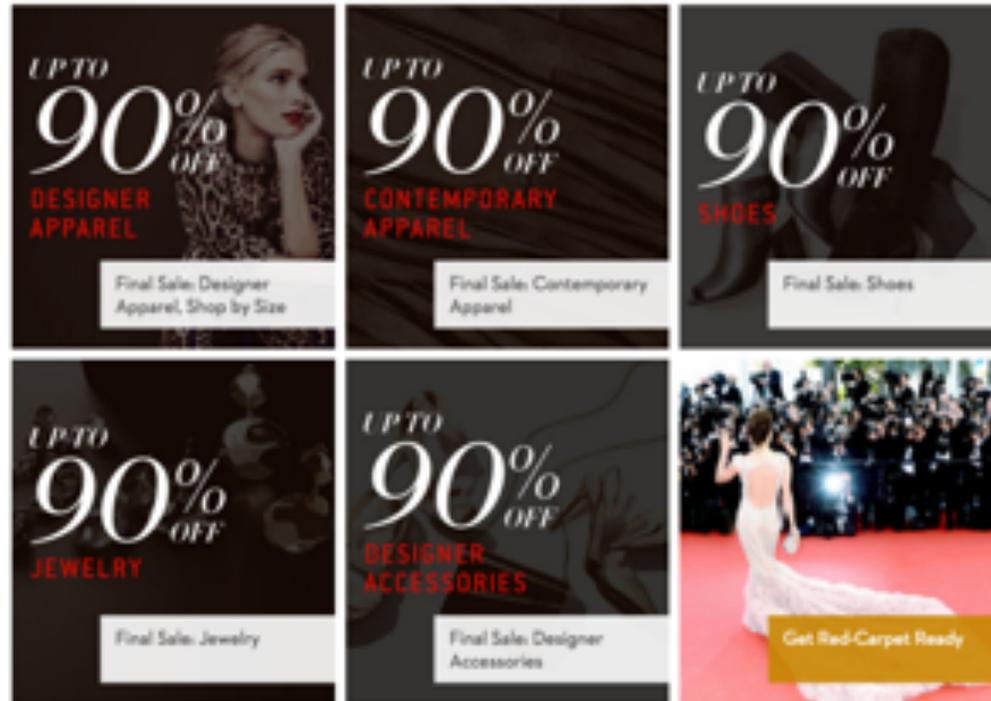
VOGUE DVF

BARNEYS NEW YORK theory ZAC POSEN



New brands tried to compete on 2 dimensions...

PRICE (LOW MARGIN)



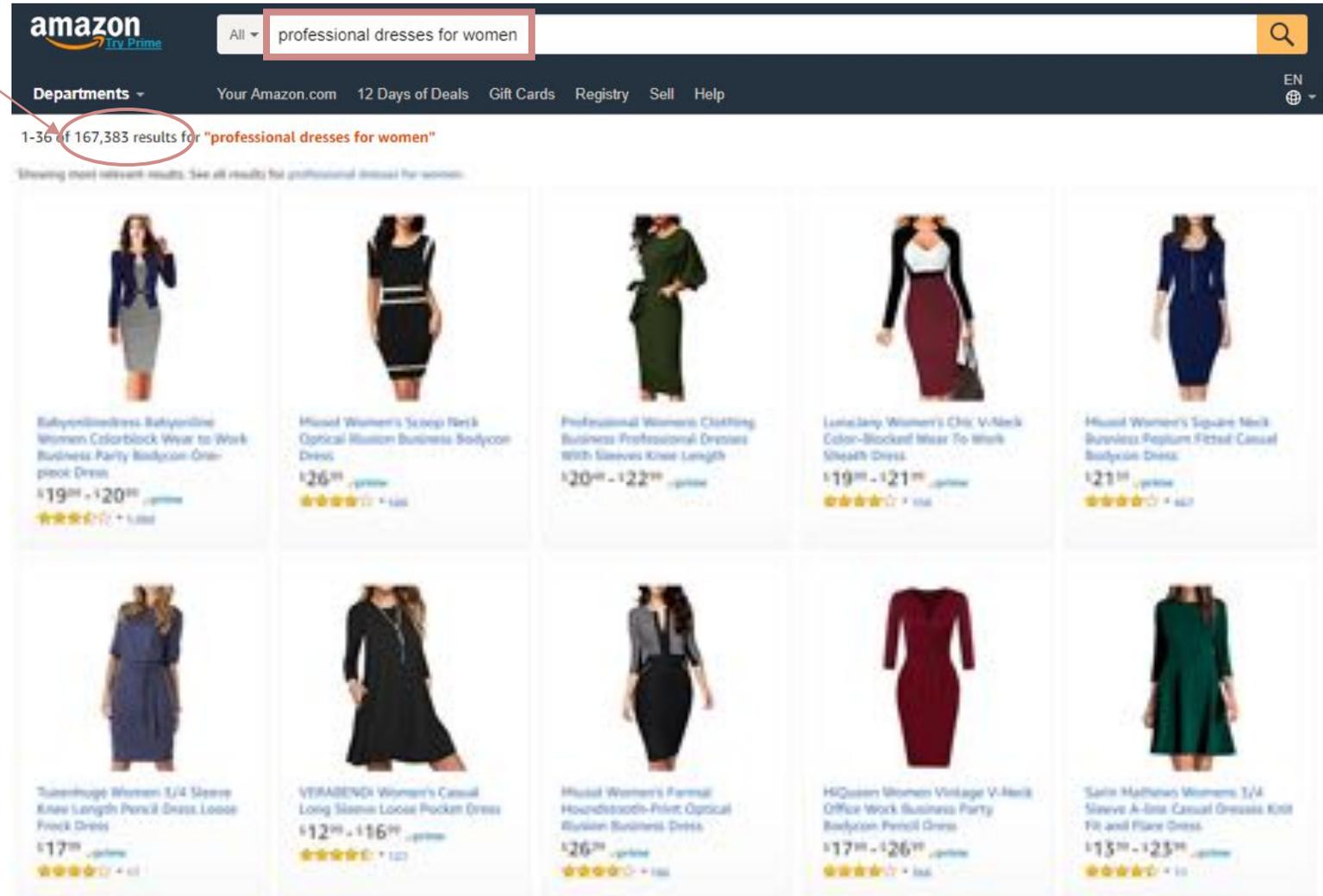
TRENDS (FAST FASHION)



...but were stymied by high customer acquisition costs, high return rates, inventory management challenges

And retailers were being swallowed by Amazon

167,383 results!



Amazon consolidated the service-agnostic categories (consumables, replenishables, consumer tech) and grew at the expense of smaller players, gobbling them up or killing them off

It wasn't easy at first.

These dresses range in price from \$50-\$240. Can YOU tell the difference?



MM.LAFLEUR
NEW YORK



BANANA REPUBLIC



ANN TAYLOR



ASOS



So we stepped back and took a
cold, hard look at ourselves.
And at e-commerce...

We decided to move beyond the dress to become the first brand to offer personalized luxury at scale on the internet.



And decided to take a different approach



PRODUCT



SERVICE



BRAND

Rather than competing on price or trend, we wanted to compete on old-fashioned ideas owned by old-school brick-and-mortar.

This Women's Clothing Brand Is Made For Professional Women Who Hate To Shop

MMLaFleur has found success selling workwear to busy women who want to look great but defy stereotypes about fashion.

So really, who are we?

WHY

We believe that when women succeed in the workplace, the world becomes a better place.

HOW

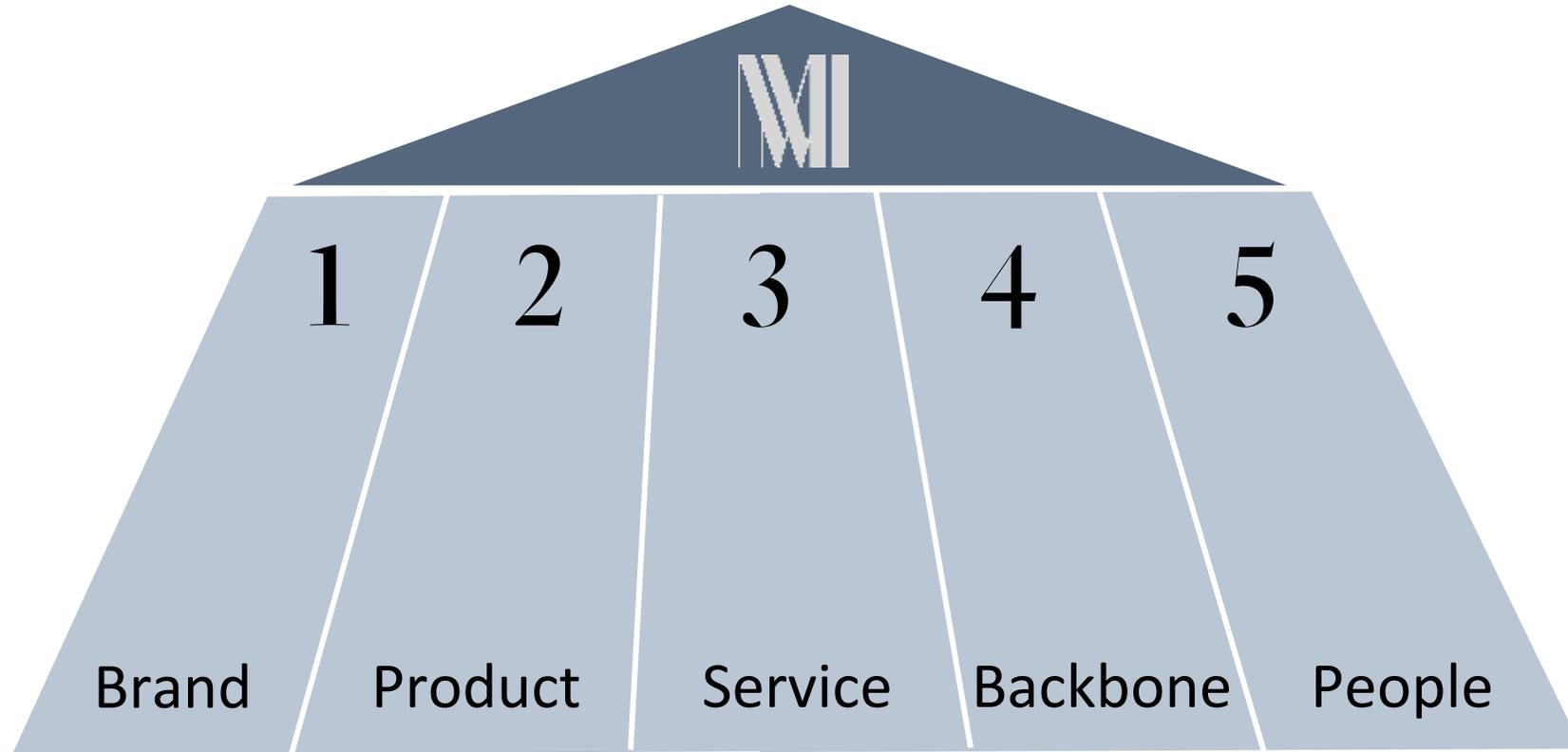
We help them harness the power of self-presentation through:

- Styling
- Content
- Community

WHAT

Beautiful, practical clothing that is thoughtfully designed, and stylists to help find the pieces that meet each customer's specific needs.

Our five pillars



1

A loyalty-inspiring

BRAND

that captivates our customers'

hearts and minds





2

A luxury

PRODUCT

that serves the needs of
professional women at a
direct-to-consumer price point

3

Human-centric

SERVICE

and styling, enabled by
technology



4

A strong

BACKBONE

that works to improve our technical
and logistical processes





5

Harness the superpowers of

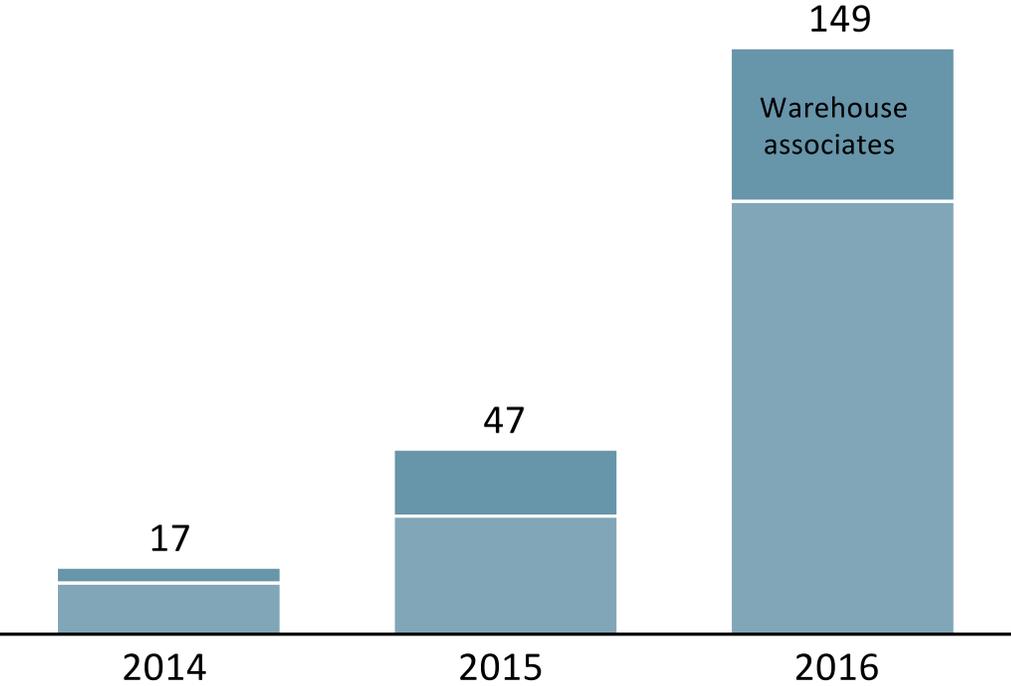
our

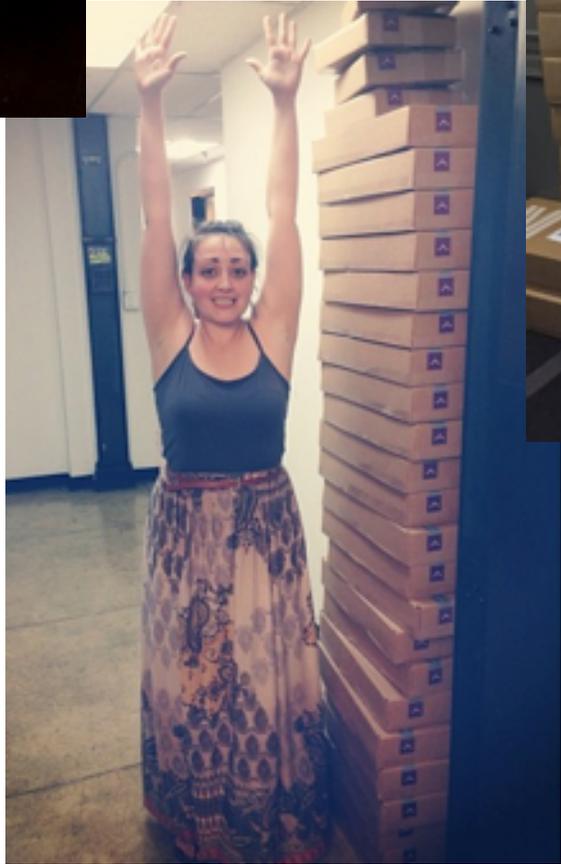
PEOPLE

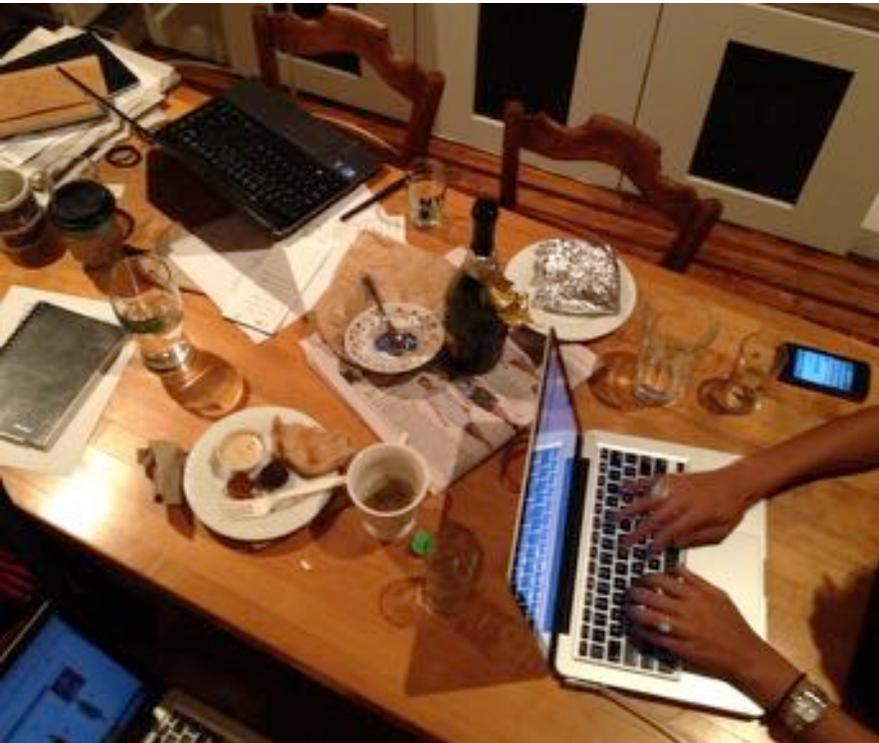
by establishing an inspiring

company culture

of employees











Recognition:

- *Adweek's 2018 Disruptors List (Sarah LaFleur)*
- *Mogul 2018 Top 1000 Company Worldwide for Millennial Women*
- *Digiday 2018 Best Brand Publication (The M Dash)*
- *WWD's 2017 40 Under 40 List (Miyako Nakamura)*
- *Crains's 2016 40 Under 40 List (Sarah LaFleur)*
- *Forbes's 2016 30 Under 30 List (Narie Foster)*
- *Inc. 5000 2017 Honors: America's Fastest-Growing Companies (no. 43), Top Consumer Products & Services companies (no. 3), Top NY companies (no. 3)*
- *Fast Company's 2016 Top 10 Innovations That Made Women's Lives Better*



But... how?? Let's talk ops...

A wander through startup growth stages:

3 people → 15 people → 40 people → 150 people

First, some notes

- Maybe you don't plan to scale a ton (e.g. Zebra vs. Unicorn), but I want to give you a taste of what it looks like
- I won't really get into the operations associated with specific businesses (e.g. clothing manufacturing), but rather the parts applicable to most businesses, which ends up being primarily what we call “people operations” – is there anything more complex than people?
- One main rule to follow: Shoot for *just-in-time operations*.
 - Whether it's teamwork processes, software tools, office environment, supply chain... you don't want to over-invest in any area too early, and you don't want it to break when it's too late
 - Implement the upgrades just as you're reaching a breaking point (and if you're paying attention, you'll see it right on time)
 - But don't worry too much, no one gets it exactly right. That's part of the fun :)

3 people → 15 people → 40 people → 150 people

You finally found a co-founder, and hired your first junior employee. There are a few freelancers and interns in and out, and you consider them also part of the family. You just upgraded from working around your kitchen table, and now squeeze into the back of another company's office. There are no windows, but there IS a skylight! You've all been sitting on backless stools, since that's all they had and you didn't want to buy new chairs. But your co-founder just threw out her back and couldn't really walk around for a few days, so you think you might need to upgrade ergonomically. You've gotten to know everyone's hangry indicators, and try to make sure you're all feeding yourselves adequately. Your junior employee just went through a major breakup. It doesn't seem like he's in great shape so you give him the day off and send him to the spa. You're determined to celebrate every small win, usually with prosecco. The problem is, you also feel like a glass of wine after every hard moment, so as a result you realize you're drinking... pretty much every day.

There are never enough hours in the day. Sometimes you wake up at 5am with a great idea. Some nights you can't fall asleep because your brain is spinning with the thousand things you want to do. Things are different now that you're sharing the burden, but you've heard horror stories about co-founder drama and you can't yet tell what your version of that might be. You know you need to hire for two more critical roles but you can't seem to find the time. They say it's a marathon and not a sprint, but you swear you're in a dead sprint already, and you know it's only the beginning. Yet somehow, you can't imagine doing anything else.

3 people → 15 people → 40 people → 150 people

General operational challenges at this stage:

- Legal (finding a lawyer, setup and structuring of the company)
- Finding an accountant
- Setting up with a business bank “Who has the credit card?”
- Finding the right people (first people are *super important*, they set the tone). If you don’t get them right, replace them – even if it’s brutal.
- Investment in co-founder relationship. Agreeing on expectations, roles, cadence of reconnecting amidst the chaos, maybe finding a coach.
- Basic technology. “What computer should the intern use?”
- Managing your health. Are we feeding ourselves? Are we taking care of our physical and mental health?

3 people → 15 people → 40 people → 150 people

For a while you were a team of six or so, with the freelancers and interns around, but then you filled in all your open roles and suddenly you're a team of 15. You no longer fit in that windowless back office, so you negotiate a 5-year lease for a small office in that cool building you've been coveting. You doubt you'll stay beyond two years but feel pretty good about finding a subletter when you outgrow it. You just wrapped up your first fire, a key person who you REALLY wanted to work out, but already you can tell you should've done it sooner, and your gut knew it all along. It took a lot out of you – first managing his tough personality and defending him to the team, then figuring out the logistics of a fast (but not fast enough) transition out. With relief, you notice an immediate lift in the culture, and vow to never let that happen again. You should've known he wouldn't be a culture fit.

You've been proud of how flat the team has been, but are starting to hear grumbles about role definition, and while some decisions are getting stalled, others are being made that shouldn't. Reluctantly, you realize it might be time for a clearer reporting structure.

A new thing starts happening: seemingly out of nowhere, you've started hearing grumbling. So-and-so found out that this person makes more money, and this other person is angry that that person did that thing without them... what?? You've got to stop this before it becomes a thing. Shouldn't you all be focusing on getting your product to market?

3 people → 15 people → 40 people → 150 people

General operational challenges at this stage:

- Org chart, define who is reporting to whom, what is the manager<>direct report relationship (e.g. weekly 1-on-1 meetings)
- Pretty much your last chance to directly affect your company culture before it takes on a life of its own
 - Great time to document your company values and mission, with this core team. You should have a good idea already from your co-founders/first few people, but now it's time to write them down and get them right, so you can ensure you're hiring and living accordingly from now on.
 - Also a good time to set company policies that might be important to you, e.g. strict on gossip/negativity, practices around remote work and vacation, expectations around hours and responsiveness, do you provide coffee??
- Likely by now you've had to fire someone(s)

3 people → 15 people → 40 people → 150 people

You've become a hiring machine. It feels like all you do is interview people, and you've become darn good at it. You've made some of your early employees into managers, to varying degrees of success. You've also hired some experienced managers, and that is taking a huge burden off of you. But you've also noticed that for the first time, there's work happening that you don't know about, and you can't decide how you feel about it. Is everyone doing the right things? You're having weekly one-on-one meetings with your direct reports, and they in turn are meeting with their teams, so hopefully that means everything is being communicated properly? You do feel like you're repeating yourself all the time. You've had to teach your team (and yourself) what an "individual contributor" means, but it seems to have cleared up some of the competitive drama.

You're bursting at the seams of your office, even though you were able to expand to the space next door. People are taking phone calls in the hallway and meetings in the park a few blocks away.

3 people → 15 people → 40 people → 150 people

General operational challenges at this stage:

- From family to company
- Everyone is “giving away their legos”
- More team structure: Task forces, committees, meetings, who decides what?
- Typically the HR breaking point, must hire someone to run this if you haven’t already, make sure you’re implementing good hiring practices by now
- Need for role clarity, defining specialists vs. generalists, managers vs. individual contributors
- Seating chart, dress code
- Office amenities and perks
- Documentation is essential by now (code, values, even security)
- Communication no longer works by osmosis, constantly repeat yourself
- What’s very helpful at this stage: principles, not process

3 people → 15 people → 40 people → 150 people

Someone once told you about Dunbar's number, a phenomenon that hits somewhere between 100 and 200 people – the cognitive limit to the number of stable social relationships you can maintain. You're proud to say you still know everyone's names, but you definitely don't know what they're working on, or how well they're all doing.

You've noticed an "old guard" vs. "new guard" thing happening. The new people coming in are treating this like it's just a job! And some of them resent how senior some of your early employees are, despite their lack of experience. You figure this is all normal, and you really appreciate that some early team members are still fighting the good fight.

Your org chart is now a complex matrix. You wonder if you're overcomplicating things, but you can't see it working any other way. It feels like you hear the words "process" and "cross-team collaboration" 10 times a day.

You've gotten coaches for your executives, and you're hoping they'll all be able to scale with you. You've gotten embarrassingly good (and quick) at firing.

The best part is, you're finally making decisions based on data!

3 people → 15 people → 40 people → 150 people

General operational challenges at this stage:

- From company to teams
- Efficient and structured hiring and firing
- Communications up and down: feedback, surveys, all-hands meetings, team-wide newsletter
- Annual/quarterly planning, KPIs
- Robust salary and promotions structure: Career paths, training, professional development, onboarding, reviews
- Meetings: constantly adding and subtracting, redefining objectives and attendees
- Some tastes of more difficult HR issues (e.g. sexual harassment, discrimination, public negative reviews)
- Could be chaos or could be bureaucratic and static

3 people → 15 people → 40 people → 150 people

In summary:

- You're worrying about different things at different times
- There are certain times to invest in certain areas before it's too late or broken, to avoid building up organizational debt (much like technical debt), which is very hard to climb out of
- Strong company culture will get you through the hard times (it's easy to sail through when succeeding/growing)
- Two great resources with more examples:
 - <https://medium.com/startup-maturity>
 - <https://firstround.com/review/give-away-your-legos-and-other-commandments-for-scaling-startups/>



As you grow, you will continuously redefine the “people operations” including:

- Org charts
- Role definitions
- Recurring meetings
- Standardized hierarchy (titles, levels, salaries)
- Direct supervisors and direct reports
- Cross-functional project management
- Reviews, promotions, career paths
- Seating chart
- Employee surveys
- Perks, benefits, policies
- Annual and quarterly planning, budgeting
- Team communications
- Training
- KPIs
- Dress code

Philosophical thoughts

Narie's take: How do you know if you want to be an (early-stage) entrepreneur?

- You like living life on its edges; you're comfortable with the high and low life; it might be glamorous in one moment AND a blundering mess in the next
- You're not afraid of dirty work: true physical labor, groveling for favors, taking out the trash, asking stupid questions, Googling away your self-doubt, negotiating every single term that comes your way, dropping everything because someone found a bed bug in the warehouse
- You can emotionally handle the full range from depression to ecstasy
- You're okay with never feeling like an expert; the second you learn/solve one thing it's onto the next
- You're comfortable with change. In fact, maybe you hate commitment. Total redirection doesn't phase you. You don't hold onto the past.
- You like extreme autonomy. You're not afraid of ambiguity, or of feeling clueless.
- The biggest sign you're an entrepreneur: You actually do it. You don't just think about it; you find yourself saying yes and taking the first steps. It's almost like your body has to.
- Your entire path in life, and in your business, is a series of micro-decisions. Either that, or something you don't have control over. All you can do is take one step at a time.

Closing thoughts...

Get to know your personal values, and follow them. This makes every decision easier.

How you spend your days is how you spend your life.

So work with people you like. Learn. Grow into your best self.

Take your work seriously, but not yourself. Have fun with it.

Questions?

Thank you!



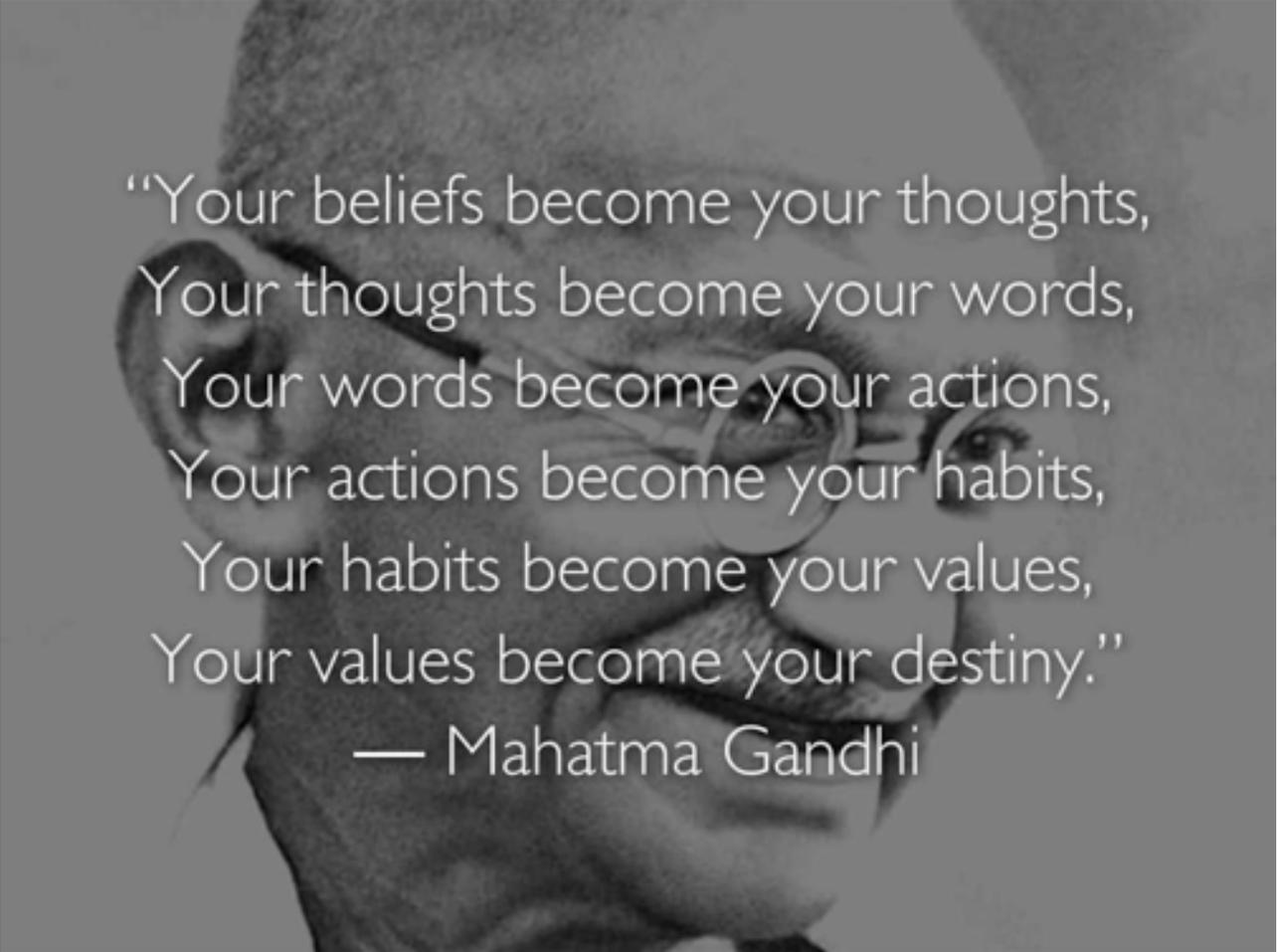
Appendix: Values

Most importantly, throughout all this change:

Strong CULTURE & VALUES

What is company culture?

Everyday core values and actions by your employees in pursuit of your company mission

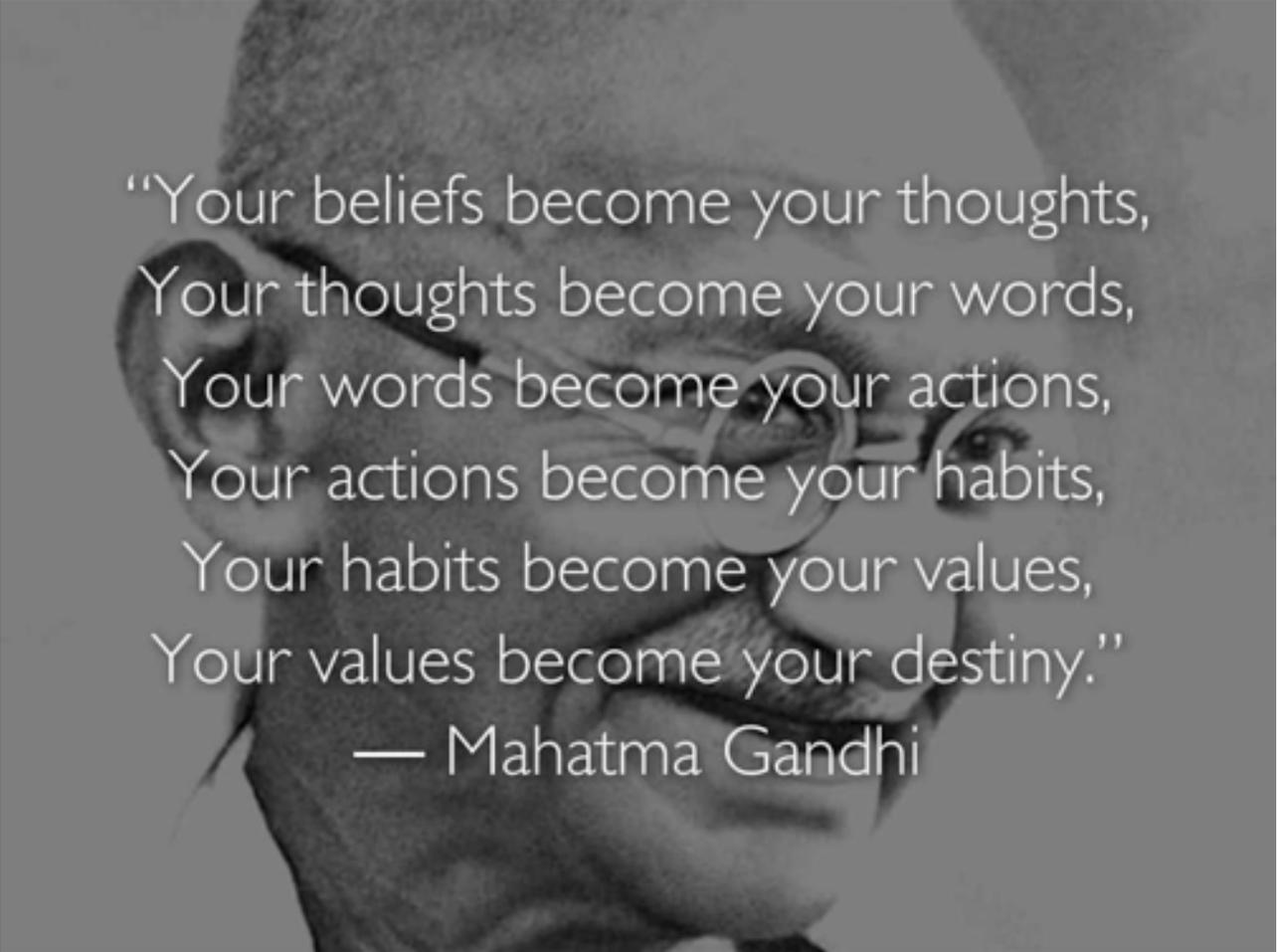


“Your beliefs become your thoughts,
Your thoughts become your words,
Your words become your actions,
Your actions become your habits,
Your habits become your values,
Your values become your destiny.”

— Mahatma Gandhi

What are company values?

The fundamental beliefs and guiding principles that uniquely define your company's identity and behavior



“Your beliefs become your thoughts,
Your thoughts become your words,
Your words become your actions,
Your actions become your habits,
Your habits become your values,
Your values become your destiny.”

— Mahatma Gandhi

Why do culture and values matter?

- Tied to company performance (e.g. FORTUNE “100 Best Companies To Work For” perform 2-3x better than the general market)
- Hiring and retention of employees – the high cost of hiring the wrong person
- Only increasing in importance: Millennial professionals are getting choosier about the businesses they work for, and are looking deeper into the values of the companies they buy from
- Every decision is easier
 - Should we hire this person? Should we fire this person?
 - Should we pivot in this new direction?
 - Helps decentralize decisions in general

What makes it difficult? Why do some companies ignore?

- Values do not pay off in the short-term
- It is very hard to measure the impact of values
- Hiring is slower

Culture vs. Brand: Two sides of the same coin

- Internal vs. external. Everything is much easier if it's authentically connected. And employees and customers can feel the difference.
- Brand evangelists are your employees, live and breathe the mission, passionate employees means passionate customers
- e.g. Apple's Think Different campaign: moving from a utility to a brand

What happened when Apple talked about what they value?



Defining values is not enough, you must live by them. They have to be a genuine daily habit.

- Incorporate your values into your reviews and promotions
 - Reward display of values publicly and regularly
 - Reiterate values everywhere, e.g. in new employee on-boarding, written on the office walls, naming of conference rooms
- Values are the one thing that shouldn't be diverse at your company

How and when should you compose your own values?

CEO of Zappos, Tony Hsieh: *“...we didn’t actually have any formal core values for the first six or seven years of the company’s history. It’s my fault that we didn’t do it in the early years... I’m just glad that an employee finally convinced me that it was necessary to come up with core values — essentially, a formalized definition of our culture — in order for us to continue to scale and grow. I only wish we had done it sooner.”*

Ask your team:

- What do we like about each other?
- What are traits of people we don’t like working with? (e.g. We don’t like arrogant people → “Be humble” is a Zappos value)

More tips for composing strong values

- Unique phrases vs. common single words like integrity/honesty/teamwork
- They need to be authentic (i.e. they should *already* be exhibited) and not aspirational; culture is like a ship, you can't turn on a dime
- Okay to be polarizing, in fact that's great. Not everyone belongs at your company.
- Helps to have a statement for each value to further explain it
- It takes time!

At MM, for example, we...

- Brainstormed and took notes with just Narie and Sarah (2012)
- Held a writing exercise and group discussion with our team of 8 people (2013)
- Formally composed and announced when we were ~20 people (2015)
- Made minor refinements (2016)

Let's look at some example values...

Uber 2015

(under Travis Kalanick)

Customer obsession

Make magic

Big bold bets

Inside out

Champion's mind-set

Optimistic leadership

Superpumped

Be an owner, not a renter

Meritocracy and toe-stepping

Let builders build

Always be hustlin'

Celebrate cities

Be yourself

Principled confrontation



U B E R

Uber 2017

(under Dara Khosrowshahi)

We build globally, we live locally.

We are customer obsessed.

We celebrate differences.

We do the right thing.

We act like owners.

We persevere.

We value ideas over hierarchy.

We make big bold bets.



drybar

1) IT'S THE EXPERIENCE

The single most important part of the Drybar experience is the way we make people feel. We are committed to making our clients feel like a million bucks.

2) IT'S NOT JUST BLOWOUTS

It's confidence. And happiness. It's artistry and quality.

3) BE YOURSELF

Tattoos, piercings, quirky laugh and all! It's what makes you special and interesting. As Gaga says, "I'm on the right track baby, I was born this way."

4) EMBRACE THE POWER OF RANDOM ACTS OF KINDNESS

Selfless acts of kindness make someone's moment/day/week. This defines you, you define us.

5) HAVE FUN

Laugh, smile, dance! Look beautiful! Life is too short to be someplace lame.

6) ALWAYS BE GROWING

There is tremendous opportunity ahead for all of us. You commit to helping us grow and we'll do the same for you.

7) NOTHING IS SEXIER THAN HONESTY AND HUMILITY

Arrogance and cockiness are gross. Actions speak louder than words. Be sexy.

8) MAKE A DIFFERENCE

Have an opinion, a point of view. Have the courage to stand up and make a difference.

9) PRETTY IS AS PRETTY DOES

Be a good person. Care about people. You're only as pretty on the outside as you are on the inside.

10) WE ARE FAMILY

Drybar was started by family. You are part of our family.



NETFLIX

“Many companies have value statements, but often these written values are vague and ignored. The real values of a firm are shown by who gets rewarded or let go. Below are our real values, the specific behaviors and skills we care about most. The more these values sound like you, and describe people you want to work with, the more likely you will thrive at Netflix.”

Courage

- You say what you think, when it's in the best interest of Netflix, even if it is uncomfortable
- You are willing to be critical of the status quo
- You make tough decisions without agonizing
- You take smart risks and are open to possible failure
- You question actions inconsistent with our values
- You are able to be vulnerable, in search of truth

Read the whole thing: <https://jobs.netflix.com/culture>



Matching game!

A) Innovation, Quality, Community, Storytelling, Optimism, Decency

B) Outdoors Heritage, Integrity, Service, Respect, Perseverance and Safe and Healthy Living

C) Put members first, Operate with a bias for action, Empower teams of smart creatives, Together we go far

D) Be Bold, Focus on Impact, Move Fast, Be Open, Build Social Value

L.L.Bean



facebook.



A few of MM.LaFleur's values...



Kizukai.

This Japanese concept of hospitality starts with the idea of being courteous and attentive to the needs of those around you—then takes it to another level. How can we best anticipate and respect the feelings of others? What’s the micro-action (or grand gesture) that could make that person’s day? If someone looks swamped, can you help? Empathy and compassion are at the core of every MM relationship and interaction; there’s a human heart behind everything we do, and we’re always looking out for each other.

History:

Co-founders are Japanese and taught me this concept, and it stuck. Perhaps our strongest and least-contested value.



Intersection of kindness + directness.

Fashion can be a scary world; MM is not. We're calm and rational under pressure, but that doesn't mean we aren't direct. Debate is welcome. We're articulate and thoughtful in our communication. To move the business forward, we must simultaneously practice warmth and candor. To us, this defines adulthood.

History:

We initially called this "No BS"



Nothing above you; nothing below you.

No entitlement; we're agnostic to status. No matter what role you're in, you might spend the morning mapping out a game-changing strategy, then go take out the garbage.

History:

We initially called this "Teamwork". We have a conference room in our current office that represents this value with a space theme.



