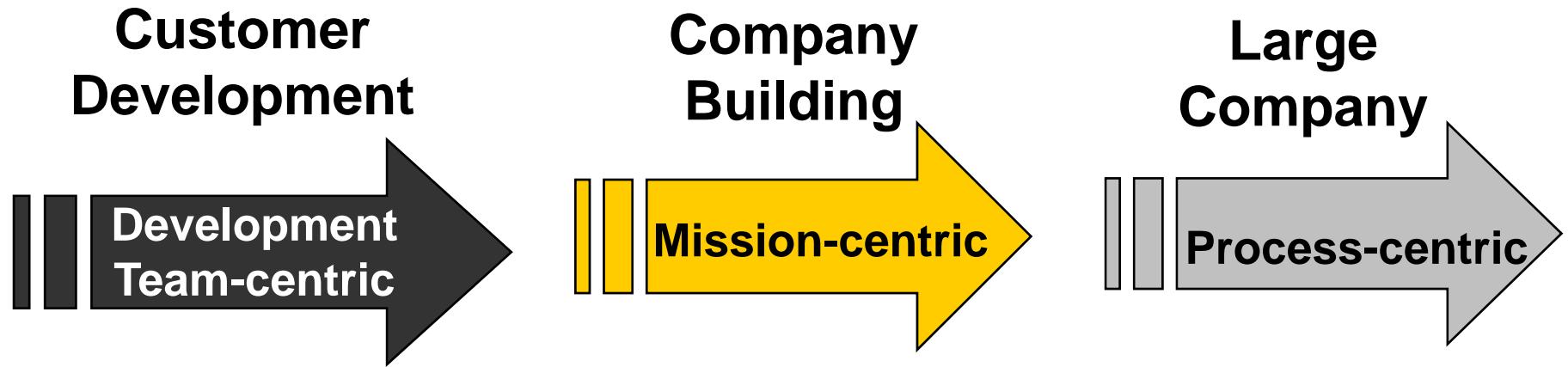


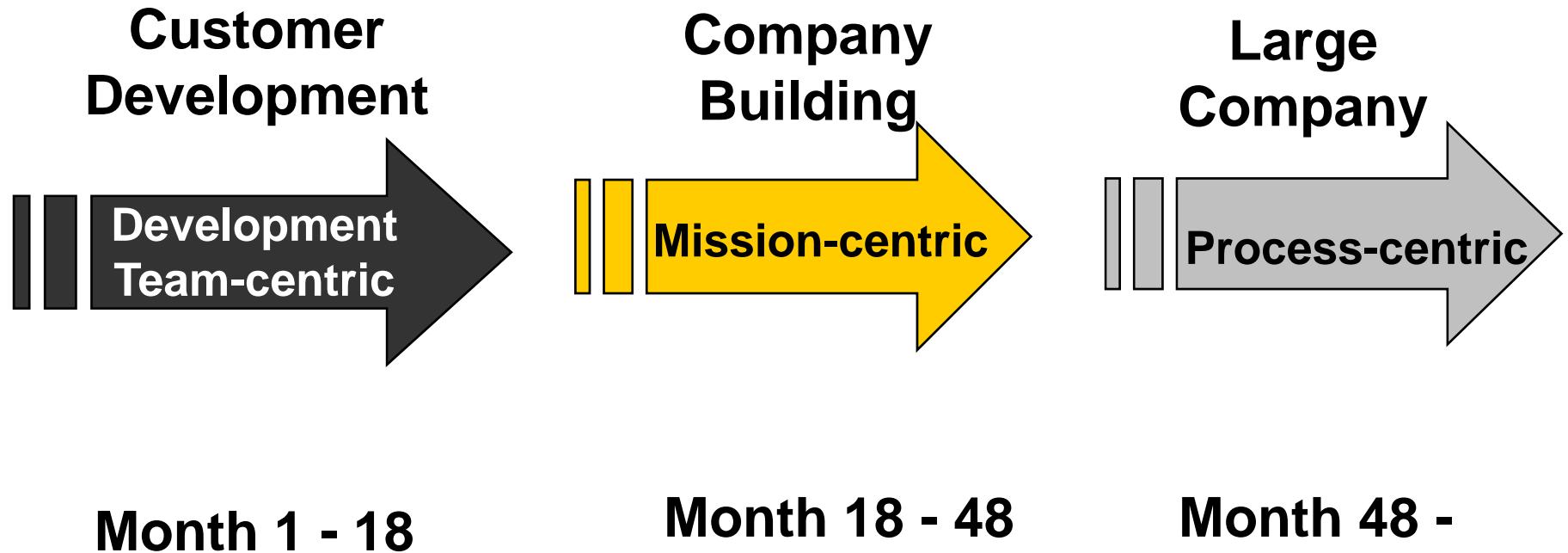
Session 9

Building The Startup Team

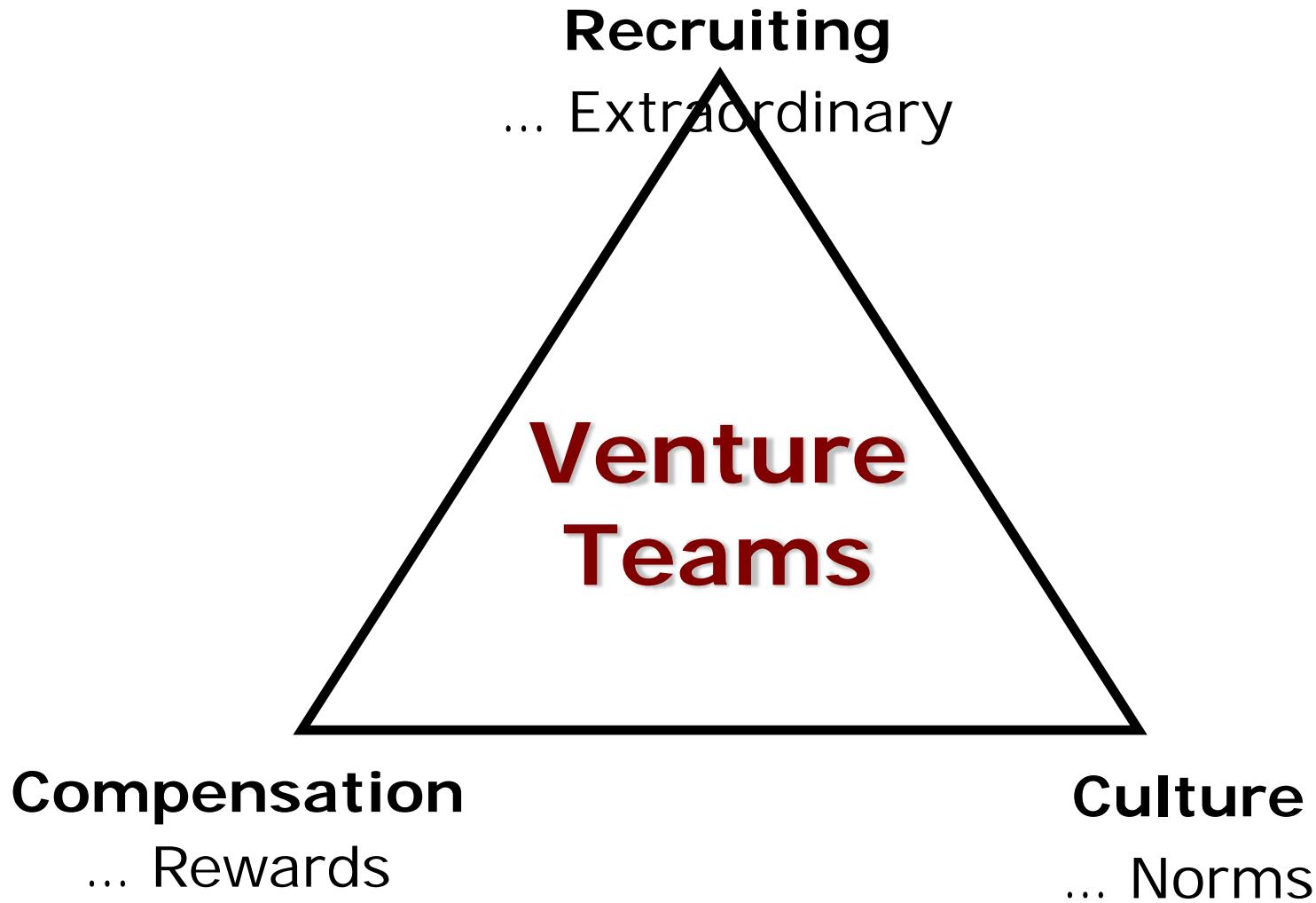
Evolution of Startup Team Strategy



Evolution of Startup Team Strategy



Building the Startup Team



Entrepreneurship = Team Sport

- Individuals contributors are rarely founders
- Individuals typically have different skills are different temperaments
- Startups are about the Team

Recruiting

- The 100x team
 - Not just competent
 - Not just your roommates
- Sources
 - VC's
 - Network

Recruiting

- Agile
- Resilient
- Tenacious
- Pattern Recognition
- Fearless
- Comfort with chaos

Compensation Components

- **Cash**

- **Cash**
 - ✓ Salary and Bonus
 - ✓ Benefits

- **Equity**

- **Equity**
 - ✓ Common Stock Plans
(Incentive Stock Options Have Favorable Tax Rates)
 - ✓ Vesting Schedule and Stock Budget
 - ✓ Tax Implications (IRS in USA) and Security Laws
(SEC in USA)

Culture ... The Secret to Long-Term Success?

Definition

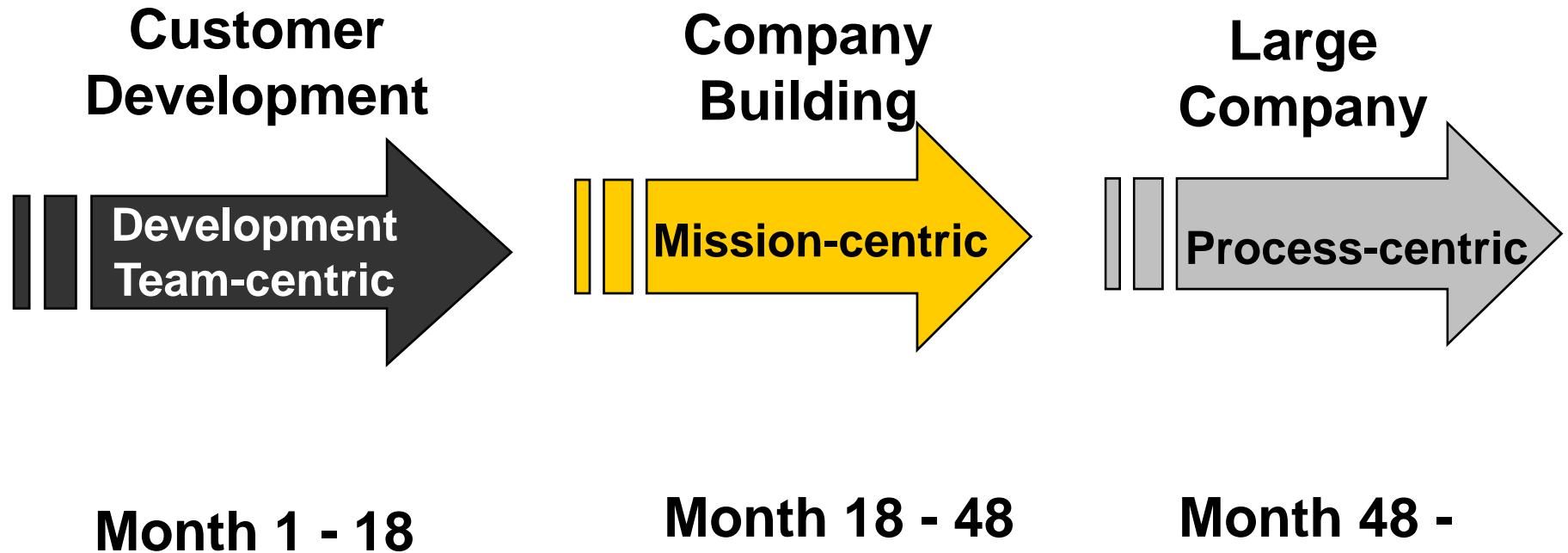
“A strong system of informal rules that spells out how people are to behave most of the time”

A Winning Culture Stimulates *Innovation = f(teamwork, creativity)*

- Develop Sense of Teamwork
- Include Creative and Unusual People
- Understand Personalities of Key People
- Develop Open Internal Communication
- Remain Open to Ideas/Suggestions from Anywhere
- Be the Customer
- Be Willing to Experiment
- Address the Issue of Autonomy

Reference: Collins & Lazier, Chatman

Evolution of Startup Team Strategy





The Last Riders of
ARNOR

End Milennium

HITHAEGLIR

Iron Hills



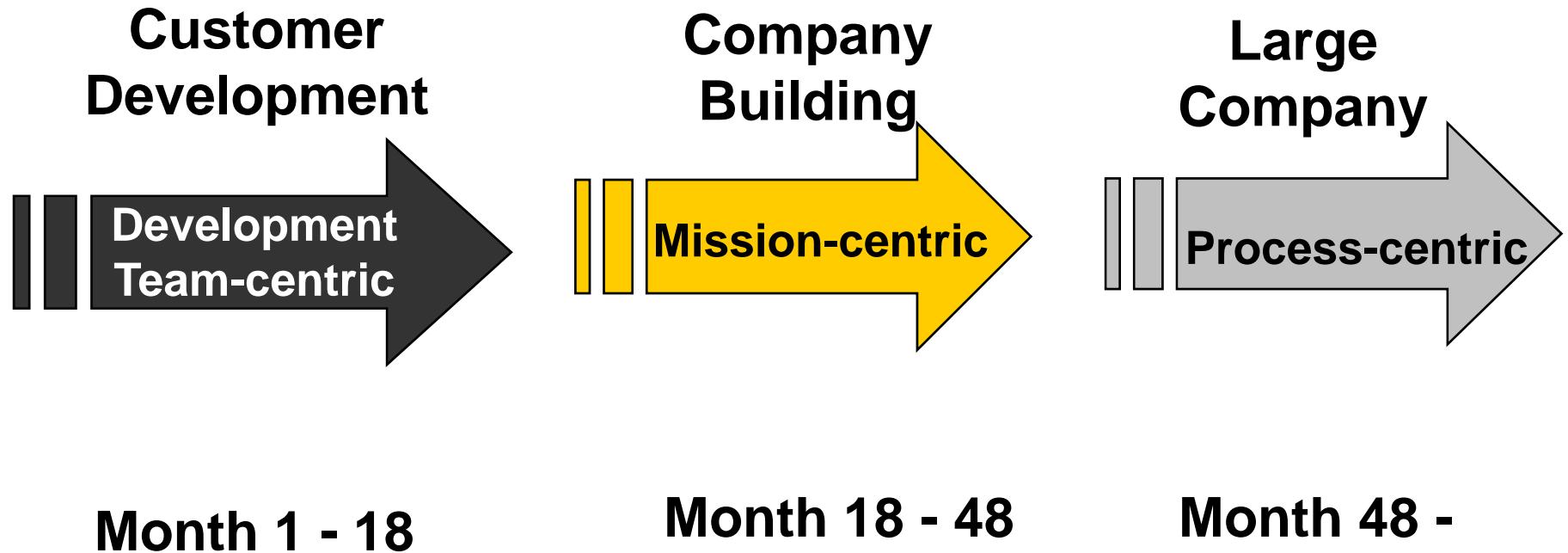
LEAVING MIDDLE EARTH

THE
LORD OF THE RINGS
FELLOWSHIP OF THE RING

Executive Traits by Stage

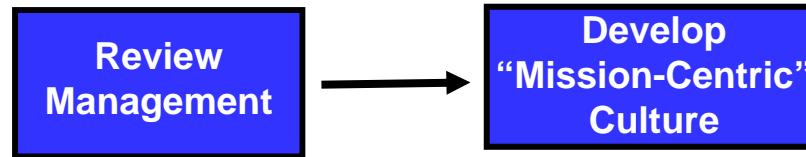
	<i>Entrepreneurial-Driven Learning and Discovery</i>	<i>Mission-Oriented Management</i>	<i>Process-Managed Execution and Growth</i>
<i>Personal Contribution</i>	Superstar	Leader	Manager of plans, goals, process, and personnel
<i>Time Commitment</i>	24/7	As needed	Long term 9 to 5
<i>Planning</i>	Opportunistic and agile	Mission- and goal-driven	Process-, and goal-driven
<i>Process</i>	Hates and eliminates	As needed, driven by mission	Implements and uses
<i>Management Style</i>	Autocratic, star system	Distributed to departments	May be bureaucratic
<i>Span of Control</i>	Hands-on	Mission-driven, synchronized	Distributed down the organization
<i>Focus</i>	High and passionate vision	Mission	Execution
<i>Uncertainty/Chaos</i>	Brings order out of chaos	Focuses on fast response	Focuses on repeatability

Evolution of Startup Team Strategy

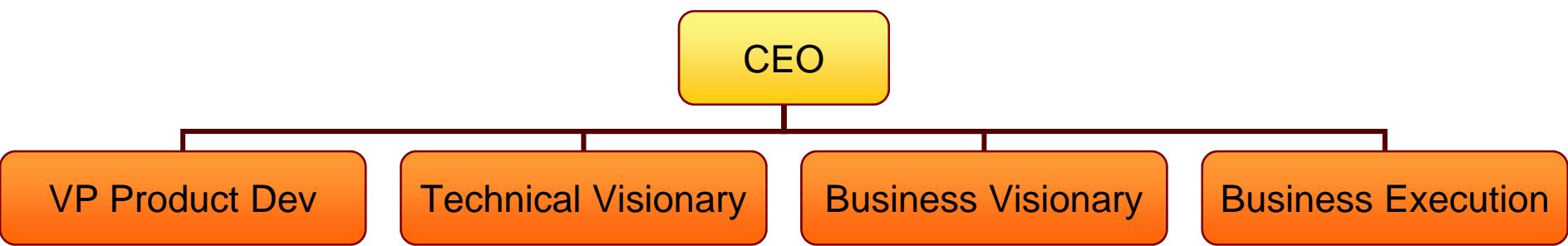


New Management and Mission-Centric Culture

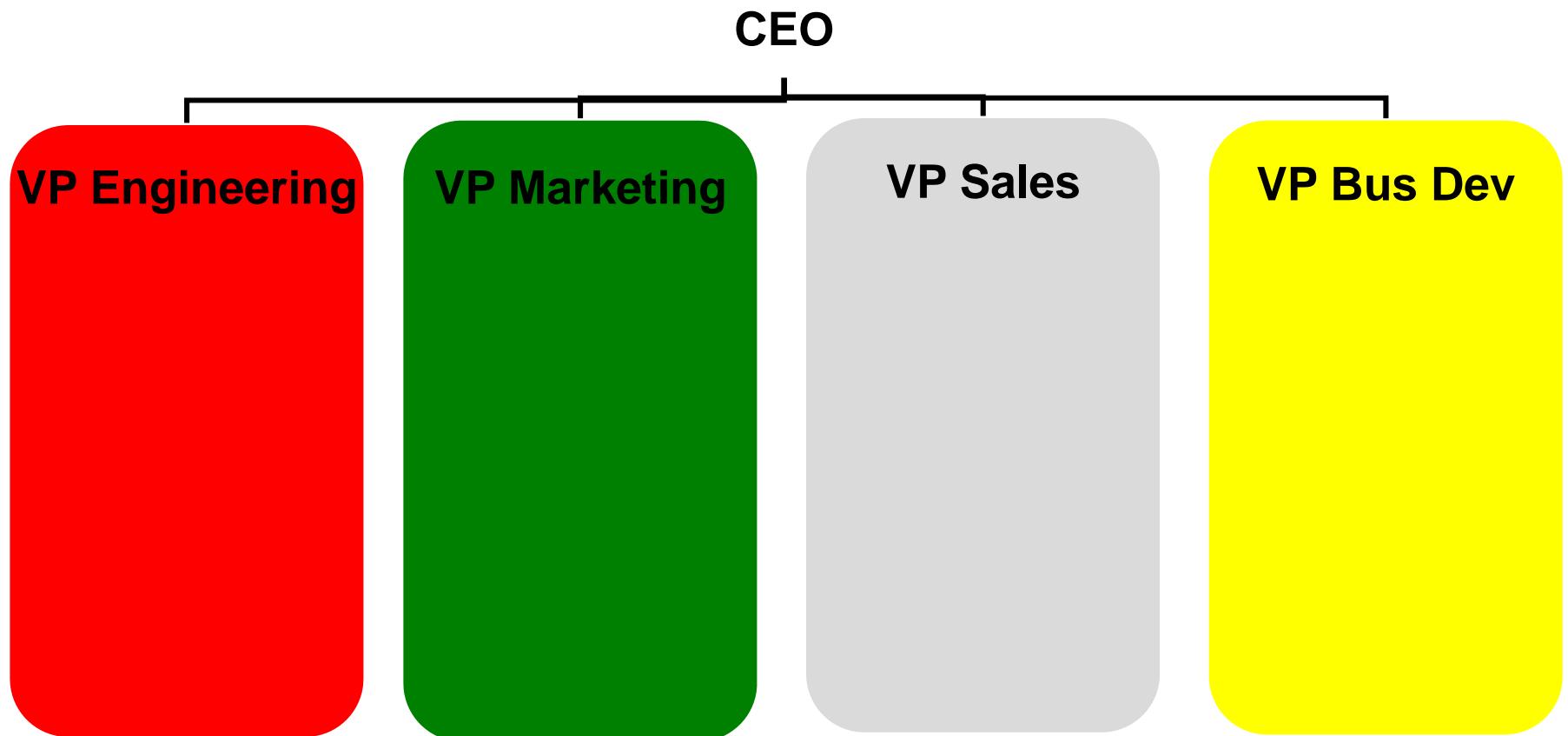
- Founders sometimes cannot get past Learning & Discovery
- Mission-Centric Culture can be a bridge



Customer Development Team Tasks Not Titles



Functional Departments-Silos



Information Culture

- » First-hand knowledge
- » An overall view
- » The view from the eyes of customers and competitors

Staff Meetings

	Customer Development Organization	Mission-Centric Organization	Process-Driven Organization
Who	<ul style="list-style-type: none">Customer-facing teams & product development teams	<ul style="list-style-type: none">Department-to-departmentCorporate-to-departmentDepartment-to-corporate	<ul style="list-style-type: none">Corporate-to-department
Why	<ul style="list-style-type: none">Update hypothesis versus realityAllow entire company to understand and react to change	<ul style="list-style-type: none">Keep departmental missions aligned with corporate missionEnsure that departmental missions are mutually supportiveEnsure that departments tactical moves are in step with the corporate objective(s)	<ul style="list-style-type: none">Transmit orders and goals from top of the organization downwardsReport status from bottom of organization upwards

Department Roles in an Existing Market

	<i>Objectives</i>	<i>How Achieved</i>
<i>Sales</i>	Relentless execution Market share	Hire, staff, train. Use road map to guide "cookbook" execution
<i>Marketing</i>	Create end-user demand and drive it into the sales channel Ensure channel has sales tools	Demand creation (PR, shows, ads, etc.) Channel collateral, competitive analyses
<i>Business Development</i>	Build and deliver the "whole product"	Deals that minimally match competitors' solutions

Department Roles in a New Market

	<i>Objectives</i>	<i>How Achieved</i>
<i>Sales</i>	Identify and sell to "beachhead" customers Sell to narrow market	Pursue niche selling to mainstream customers Continue low-level earlyvangelist sales
<i>Marketing</i>	Adopt of niche market or tipping point strategy Identify and create new market with mainstream customers	Develop mainstream customer road map Avoid demand-creation spending until new market scales
<i>Business Development</i>	Build "whole product"	Establish relationships that enable "whole product" first niche by niche, then for the broad mainstream

Department Roles in a Resegmented Market

	<i>Objectives</i>	<i>How Achieved</i>
<i>Sales</i>	Generate revenue from an existing market Identify and sell to "beachhead" customers in the new market segment Hit hockey stick by exploiting new market segment	Scale sales force to generate revenue in existing market (few hires) Add new hires to focus on new market segment Transition sales to new segment and scale sales staff
<i>Marketing</i>	Help sales generate revenue in existing market Create new segment from an existing market	Use guerilla Marketing tactics, minimize expenditures Use positioning and branding to create new segment, differentiation, and awareness
<i>Business Development</i>	Build and deliver whole product to differentiate company and product in new segment.	Establish relationships that enable "whole product" for mainstream customers in the new segment

Part II. Team Dynamics Exercise

- Purpose and Objectives
- Step #1: Team Process Evaluation Sheet
- Step #2: Discussion of Two Basic Teamwork Concepts
- Step #3: Preparation for Team Exercise
- Step #4: Team Exercise on Your Own

This class exercise is adapted from *Managing the Small to Mid-Sized Company: Concepts and Cases* by Jim Collins and Bill Lazier, Irwin.

Exercise's Objectives

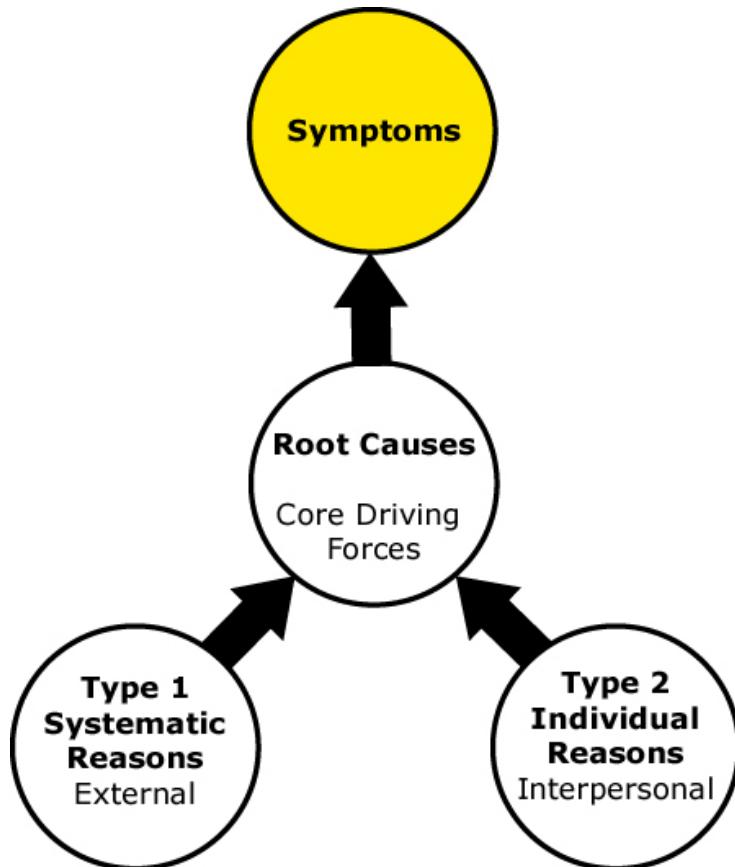
1. Chance to learn and practice exactly how to improve the productivity and effectiveness of a team.
2. Reinforces the importance of teamwork in new ventures.

Step #1: Please Fill Out the "Team Process Evaluation Sheet" Individually

Team Process Evaluation Sheet

1	There is a clear unity of purpose. There was free discussion of the objectives and members could commit themselves to them; the objectives are meaningful to each group member.	5 4 3 2 1	There is low unity of purpose – little or no evidence that the group is widely committed to common objectives or that the objectives are meaningful to each member of the group.
2	The group is self-conscious about its own operations. The group has taken time to explicitly discuss group processes. The group will often take a long time to get down to business. The group has a clear, explicit, and mutually agreed-upon approach: mechanics, norms, expectations, rules, etc. Frequently, it will stop to examine how well it is doing or what may be interfering with its operation. Whatever the problem may be, it gets open discussion and a solution found.	5 4 3 2 1	The group tends to avoid discussion of its own maintenance. The group has taken little time to explicitly discuss group processes – how the group will function to accomplish its objectives. The group does not have a clear, mutually agreed-upon approach: mechanics, norms, expectations, rules, etc. There is often much discussion after a meeting of what was wrong and why, but this is seldom discussed within the meeting itself.
3	The group has set clear and demanding performance goals for itself and has translated these performance goals into well-defined concrete milestones against which it measures itself. The group defines and achieves a continuous series of "small wins" along the way to larger goals.	5 4 3 2 1	The group has low or ambiguous performance goals for itself. It has not defined concrete milestones against which it measures itself. The group has not given itself the stimulus of a continuous series of "small wins" along the way to larger goals.
4	The atmosphere tends to be informal, comfortable, relaxed. There are no obvious tensions, a working atmosphere in which people are involved & interested.	5 4 3 2 1	The atmosphere is likely to reflect either indifference (lots of side conversations, whispering, etc.), boredom, or tension. The group is not genuinely engaged.
5	There is a lot of discussion in which virtually anyone can participate, but it remains pertinent to the purpose of the group. If discussion gets off track, someone will bring it back in short order. The members listen to each other. Every idea is given a hearing. People are not afraid of being foolish by putting forth a creative thought even if it seems extreme.	5 4 3 2 1	A few people tend to dominate. Some ideas are good, but they are way off the point, but little is done by anyone in the group to keep the group clearly on track. People do not really listen to each other. Ideas are ignored or overridden. Conversations after group meetings reveal that people failed to express ideas or feelings.
6	People are free in expressing their feelings as well as their ideas.	5 4 3 2 1	Personal feelings are hidden. There is fear that these are too explosive if brought out.

Step #2: Two Basic Ways to Improve Performance



Example:

"The group never gets all of its work done because meetings start late and, once they do start, the group strays constantly from the tasks at hand."

Systemic Causes?

1. The group meets at a time that makes it difficult for all members to arrive promptly.
2. The group doesn't make any effort at the beginning of the meeting to create an agenda nor objectives.
3. No chair of the meeting is chosen to keep the group moving forward and finishing on time.

Individual Causes?

1. One of the members is chronically late, no matter what time the meeting officially starts.
2. One of the group members loves to stray off into unrelated topics during the meeting -- nobody feels comfortable saying "let's get back to the task at hand."

Step #3: Preparation for Exercise

1. Circle the three lowest scores on your Group Process Evaluation Sheet. Jot down what you think are the root cause or causes. Categorize each of them as either systemic or individual.
2. If you have identified a systemic problem, write down one suggestion that would improve the systemic functioning of your team.
3. For each of your teammates, list one characteristic or action that is helpful to the group. List one that is not helpful.
4. Write down one thing that you would do differently or better to improve the functionality of your group.

Step #4 Create "Team Dynamics" Summary

Always Keep This In Mind Please ...

Is this going to be relevant and helpful to improving the functioning of our group?

Please complete the exercise by next Monday (Session 11) including sending the summary document to the TA's.