

Assembling the Start-Up Team and making it a High-Performance Team.

V.U.B.

Advanced Starter Program

31/10/2019

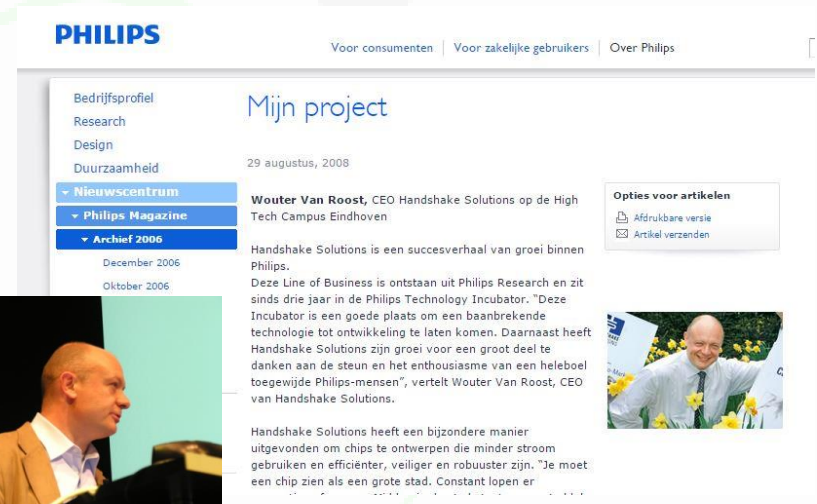
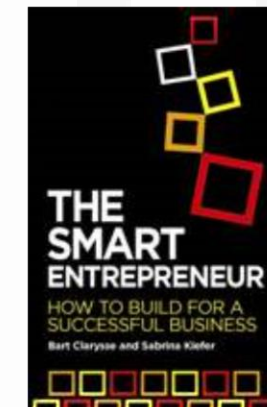
Content

- Introductions and legal waivers
- Assembling the Functional Venture Team
 - What functions are critical in a new Venture
 - Teams, entrepreneurs, venture,...?
 - Perspectives on the business, leadership assumptions,...
 - Team selection criteria, experience, competence, drive...
 - The mathematics of it all
 - How “taking a pee” can be the most important thing for your team
 - Dealing with time
- Managing the Venture Team
 - Interaction Dynamics
 - Components
 - When everything fails....

“Wout”



Oxypoint successfully raises €3.8 million in series A funding



Legal stuff....

- By attending this workshop you accept all cookies that might get embedded in your mind.
- The content of this workshop has never been tested on animals, only on consenting human beings.
- Reproduce, copy and reverse-engineer as much as you like.
- We will assume full responsibility for the success you will have using this intellectual property.

Tell me about yourselves...

What brings you here?

Where are you in your venturing activities/thinking?

Do you have a team already?

What are your ambitions?

What would you like to learn today?

....

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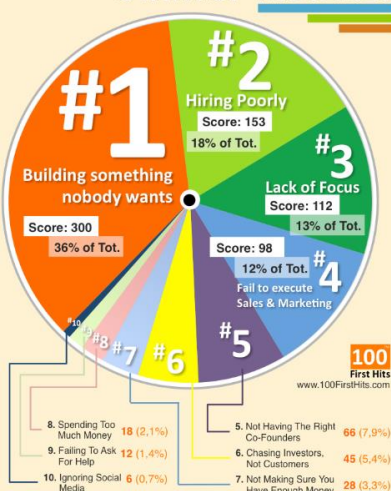
Why ventures fail....

The Top Reasons Startups Fail

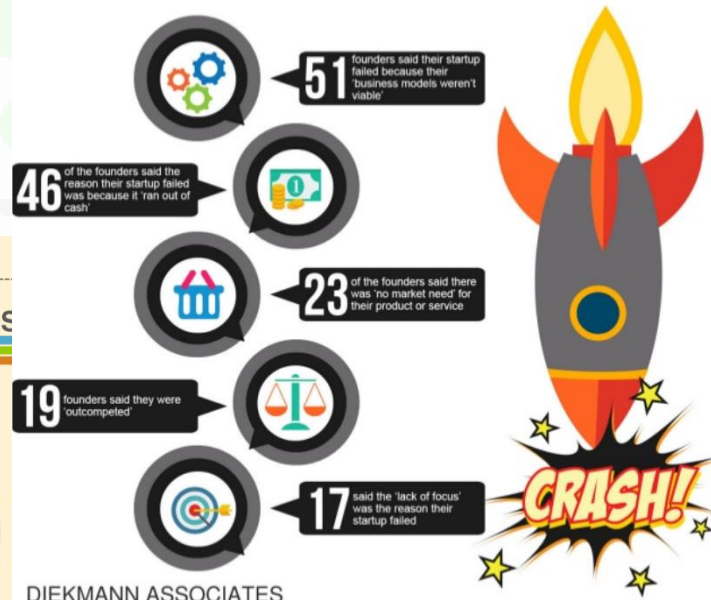
Most frequently cited reasons for startup failure*



TOP 10 STARTUP MISTAKES



A RECENT STUDY EXAMINING CLOSE TO 200 FAILED STARTUPS SHARED THE REASONS FOUNDERS CITED FOR THEIR STARTUPS' FAILURE. THEY INCLUDE:



Autopsy Data Analysis: Top 10 reasons startups fail based on 300 failed startup autopsies



Main reason

Team

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Question

- How do you plan to hire your team?

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Functional Team

- Overall Manager (CEO)
- Sales Director and Account Managers
- Marketing Manager
- R&D, Chief Science Officer
- Front- and back office
- COO
- Financial
- Legal
- Specialists and experts
- Support groups
- Logistics and supplies

Here's an idea....

- Forget hiring for **FUNCTIONS** mainly...
- Hire for **ROLES** to be played in the venture
 - Initiating projects & ideas
 - Maintaining momentum
 - Aligning efforts and views
 - Turning conclusions into action
 - Seeing the bigger picture
 - Getting to the finish line
 - Striving for ever-better results

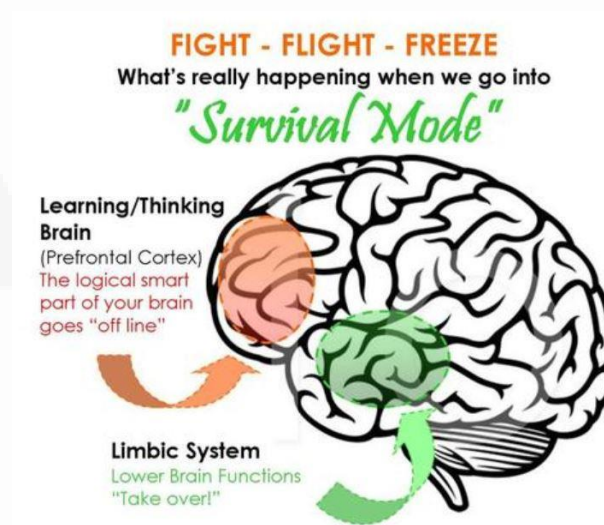
How?

- Stop looking at CV's.
- Start by looking at NCV's (Non-Cognitive-Values)

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Why “Non-Cognitive”?

- When all goes well: EASY!
Frontal Cortex is in Control
- When stress is high enough: DIFFICULT!!!
Reptile Brain takes over

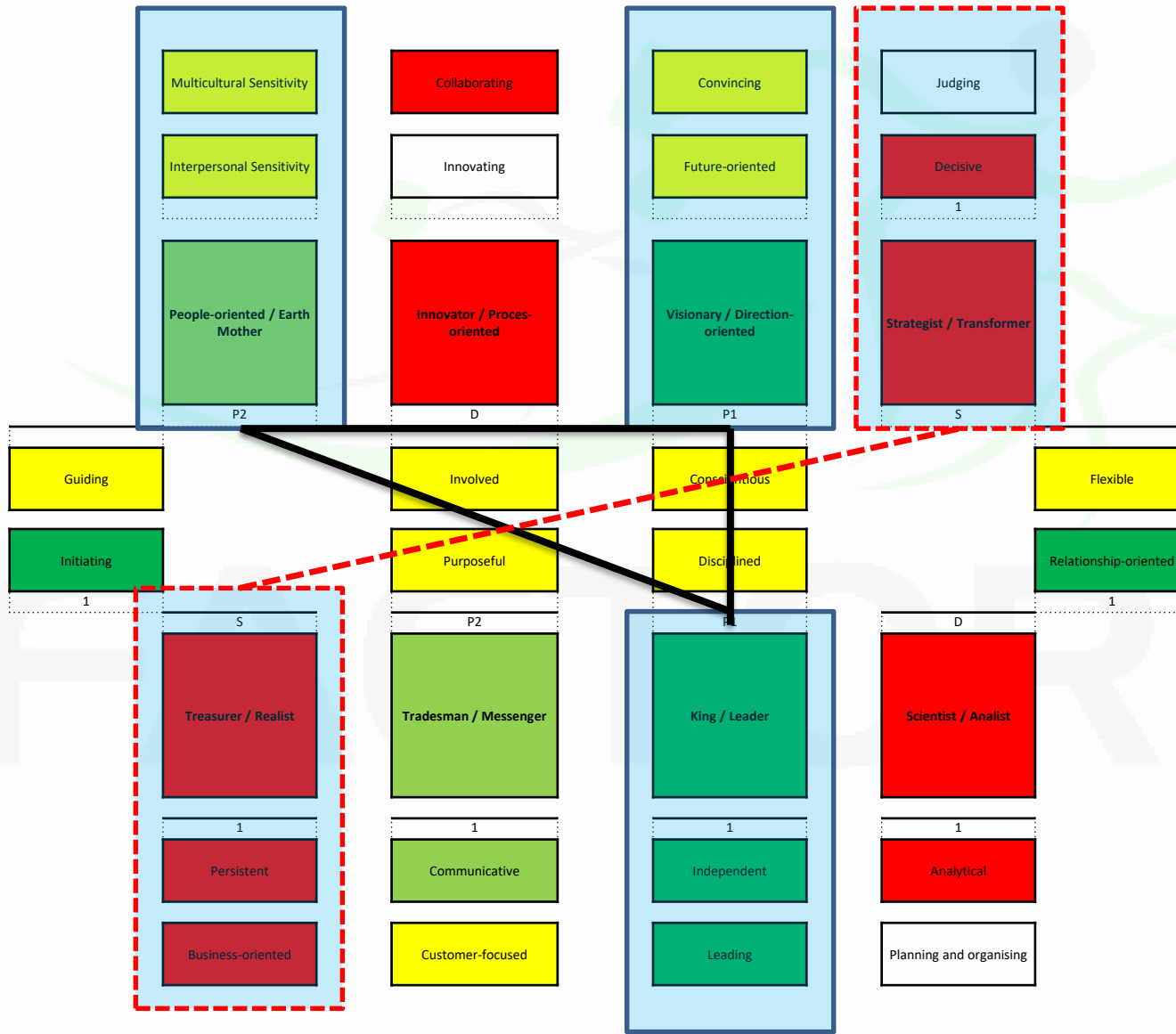


Interesting read:

Why Startups Are Harder than MIT:
Stress and the Entrepreneur, Part 1 of 2

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Non-cognitive values



What role for the CEO?



Non-cognitive values

- Analyze fundamentals as an entrepreneur.
- You need:
 - Authenticity, visionary skills and empathy.
- In addition you need:
 - Cognitive understanding and analytics, commercial, judging and tenacity.
- When put under (high) stress, a CEO unites.

Why is this important?

- Your stakeholders demand it...
 - Friends, Family and Fools.
 - Business Angels
 - Cornerstone investors
- As the CEO, the job-criteria are shifting:

Traditional	: Coming from the same industry
More recent	: Having had prior venture experience.
More and more	: Having the ideal personality profile.

What most consider a “perfect” CEO...

“Visionary and charismatic” > “Command and Control”

Start-up experience and a broad network

Knowledgeable about problem-solving

Expert at winning strategy creation

Creates loyalty, faith and belief in employees

Uses power in a responsible way

Great charisma, getting admiration...a celebrity!

The “not-so-perfect” CEO

Sanjay Kumar (business executive) - Wikipedia

[https://en.wikipedia.org/wiki/Sanjay_Kumar_\(business_executive\)](https://en.wikipedia.org/wiki/Sanjay_Kumar_(business_executive)) ▼

Sanjay Kumar was the Chairman and CEO of Computer Associates International (now CA Technologies), until April 2004. Contents. [hide]. 1 Early childhood; 2 Career; 3 Resignation; 4 Prison; 5 Restitution; 6 Other ...

Dennis Kozlowski - Wikipedia

https://en.wikipedia.org/wiki/Dennis_Kozlowski ▼

Leo Dennis Kozlowski (born November 16, 1946) is a former CEO of Tyco International. He was sentenced to serve from eight years and four months to 15 years in prison for his role in the scandal.

Former Massey Energy CEO Sentenced to 12 Months in Prison - WSJ

www.wsj.com/.../former-massey-energy-ceo-sentenced-to-12-months-in-prison

Apr 6, 2016 - CHARLESTON, W.Va.—A federal judge sentenced former Massey Energy CEO Bruce R. Blankenship to 12 months in prison, closing another ...

Former Calpers CEO Sentenced to Prison for Bribery - WSJ

www.wsj.com/articles/former-calpers-ceo-sentenced-to-prison-for-bribery-1464

May 31, 2016 - A federal judge on Tuesday sentenced the former head of the national pension fund to 4 1/2 years in prison in a case in which the ...

Famous CEOs and founders who've been to jail - Houston Chronicle

www.chron.com/jobs/.../Famous-CEOs-and-founders-who-ve-been-to-jail-7136

CEOs and founders can lead companies to big earnings or send them into ... of the recognizable executives who've been sent to prison, for everything from ...

Top Ten CEOs Sent to Prison - 24/7 Wall St.

247wallst.com/special-report/2012/05/17/top-ten-ceos-sent-to-prison/ ▼

May 17, 2012 - Earlier this week, Rebekah Brooks, former CEO of the now-defunct News International, was sentenced to 30 months in prison. This is the first time a CEO of a major British tabloid has been sentenced to prison.

Top 10 CEOs Sent To Prison: 24/7 Wall St. | The Huffington Post

www.huffingtonpost.com/2012/05/18/top-10-ceos-sent-to-prison_n_1527361.html

May 18, 2012 - 24/7 Wall Street: Earlier this week, Rebekah Brooks, former CEO of British tabloid News of the World, was arrested on ...

Top 10 CEOs in Prison: Why'd They Do It? - CBS News

www.cbsnews.com/.../MoneyWatch/Leadership ▼

Jun 15, 2010 - Here are 10 CEOs of public companies who were convicted of corporate crimes and sentenced to lengthy prison terms. They were all also ...

The Ex-CEO of Calpers Is Going to Prison on Bribery Charges - Fortune

- 1 Bernie Madoff - set up Bernard L. Madoff Investment Securities in 1960, he was accused of running a Ponzi scheme. Madoff was sentenced to more than 150 years in jail
- 2 Martha Stewart - five months in jail after being convicted on charges of conspiracy, obstruction of justice and making false statements.
- 3 Joe Francis - Girls Gone Wild - He served less than a year in jail for tax evasion in 2009
- 4 John Goodman - International Polo Club - Manslaughter
- 5 Walter Forbess - Former Cendant Corp. Chairman was sentenced to more than 12 years after being convicted of securities fraud
- 6 Dennis Kozlowski - Former Tyco International Chief Executive found guilty of stealing more than 150 million
- 7 Sam Waksal - ImClone Systems founder sentenced to more than seven years in jail after pleading guilty to several securities violations
- 8 Allen Stanford - convicted on charges he bilked investors out of more than 7 billion, serving 110 years
- 9 Michael Brown - founder of the Brown Hand Center
- 10 Calisto Tanzi - Founder and former CEO of Pamalat, servicing 35 years and 3 months for various fraud charges.
- 11 Jeffrey Skilling - Former CEO of Enron, jailed for 24 year and 4 months (later reduced to 14 years) for conspiracy, insider trading false statements and fraud.
- 12 Jordon Belfort - spent 22 months in prison due to fraud and related crimes in connection with stock-market manipulation and running a boiler room as part of a penny-stock scam

The “not-so-perfect” CEO

Jailed Audi CEO Rupert Stadler fired as Volkswagen grapples with scandal fallout

Nathan Bomey | USA TODAY

Published 11:26 AM EDT Oct 2, 2018

www.wsj.com/articles/former-calpers-ceo-sentenced-to-prison-for-bribery-1464

May 31, 2016 - A federal judge on Tuesday sentenced the former head of the national pension fund

Famous C
www.chron.com
CEOs and fo
recognizable

Top Ten C
247wallst.co

May 17, 2012

exception to the usual story of CEOs that end up in prison.

Top 10 CEOs Sent To Prison: 24/7 Wall St. | The Huffington Post

www.huffingtonpost.com/2012/05/18/top-10-ceos-sent-to-prison_n_1527361.html

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www.cbsnews.com > MoneyWatch > Leadership

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6

Dennis Kozlowski - Former Tyco International Chief Executive

Should Tech CEOs Go to Jail Over Data Misuse? Some Senators Say Yes

Ron Wyden turned heads this month with a bill that would put tech executives behind bars, but not all of his colleagues agree it would be effective—or constitutional.

10

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But...something is changing!

“Subordinates need to challenge in order to follow, and superiors must listen in order to lead” The Boundary-less Organisation, Hirschburg et al (1992)

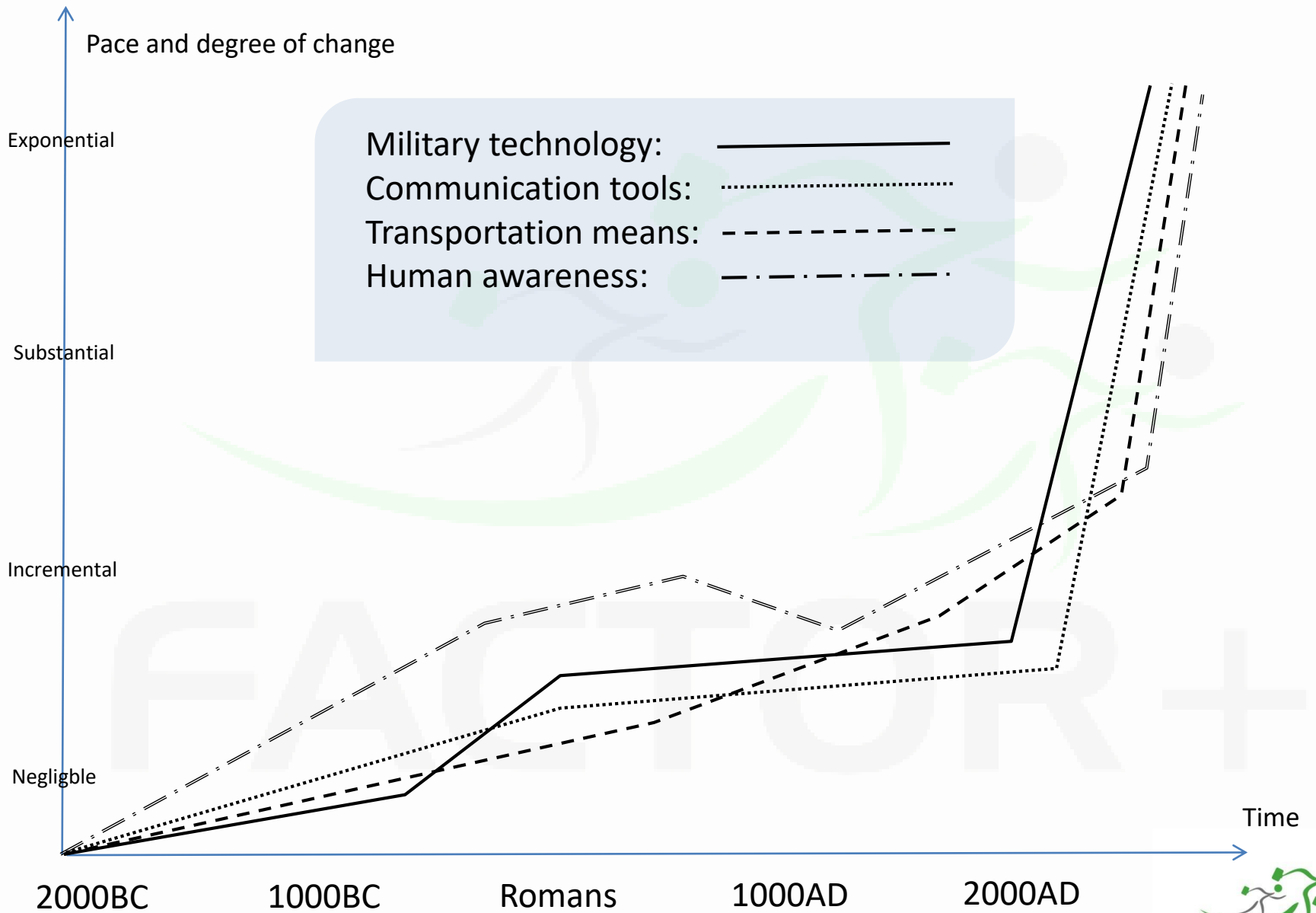
“A charismatic visionary leader is absolutely not required for a visionary company and in fact can be detrimental...” Built to Last, Collins and Porras (1997)

“Leading from Good to Great does not mean coming up with the answers...It means having the humility to grasp the fact that you do not yet understand...and then to ask the right questions...” Good to Great, Collins (2001)

“The more power you give to a single individual in the face of complexity and uncertainty, the more likely it is bad decisions will be made.” Wisdom of Crowds, Surowiecki (2004)

“For most leaders there is no dysfunctional organization, because every organization is perfectly aligned to achieve the results it currently gets” The practice of Adaptive Leadership, Heifetz, Grashow & Linsky (2009)

“Complexity science shows how the typical focus on “heroic” and charismatic leaders can result in a lack of innovation in modern organisations” Complexity and the Nexus of Leadership, Goldstein et al (2010)

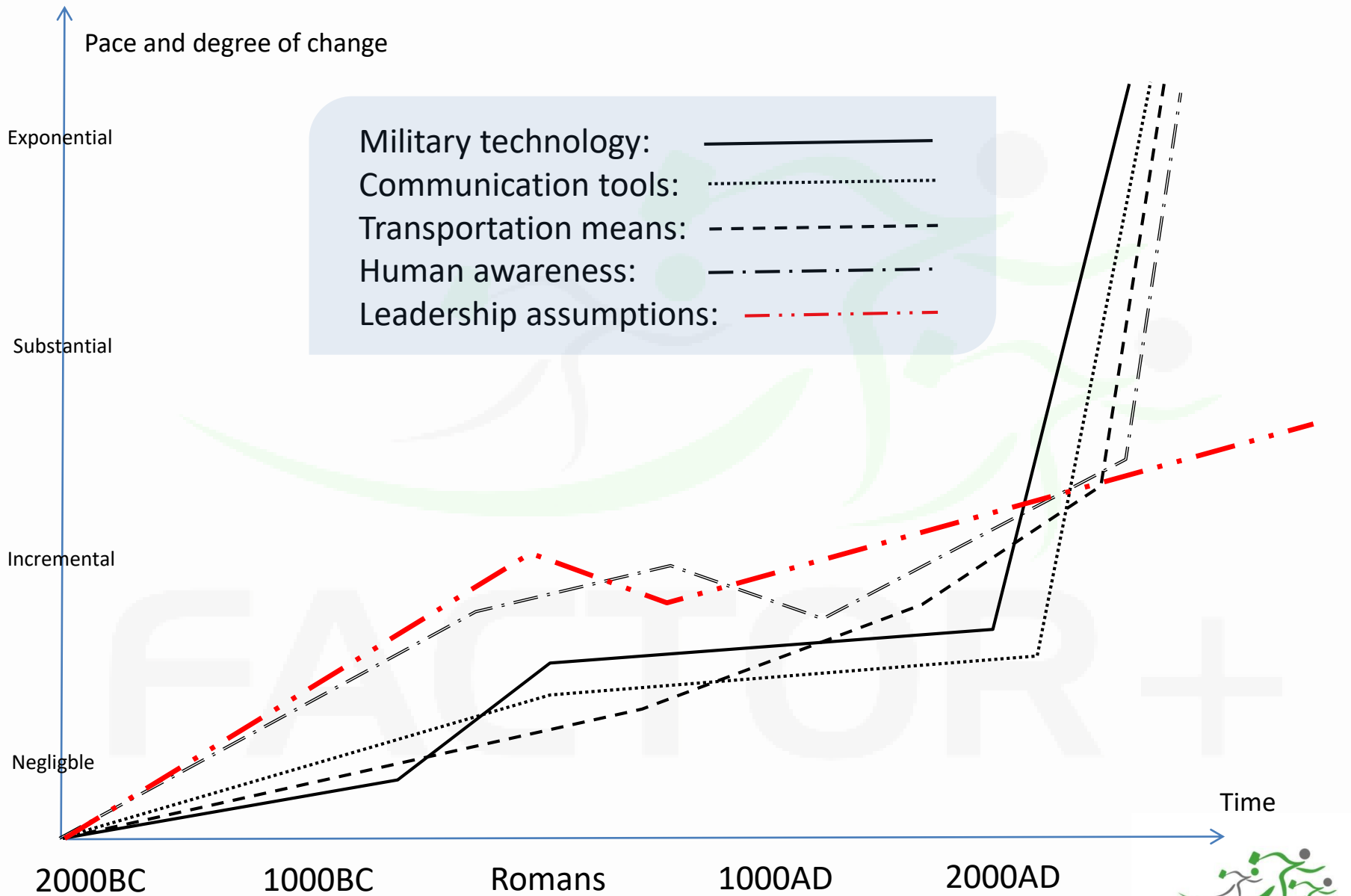


Author: Nick Obolensky: Complex Adaptive Leadership. Embracing paradox and uncertainty.

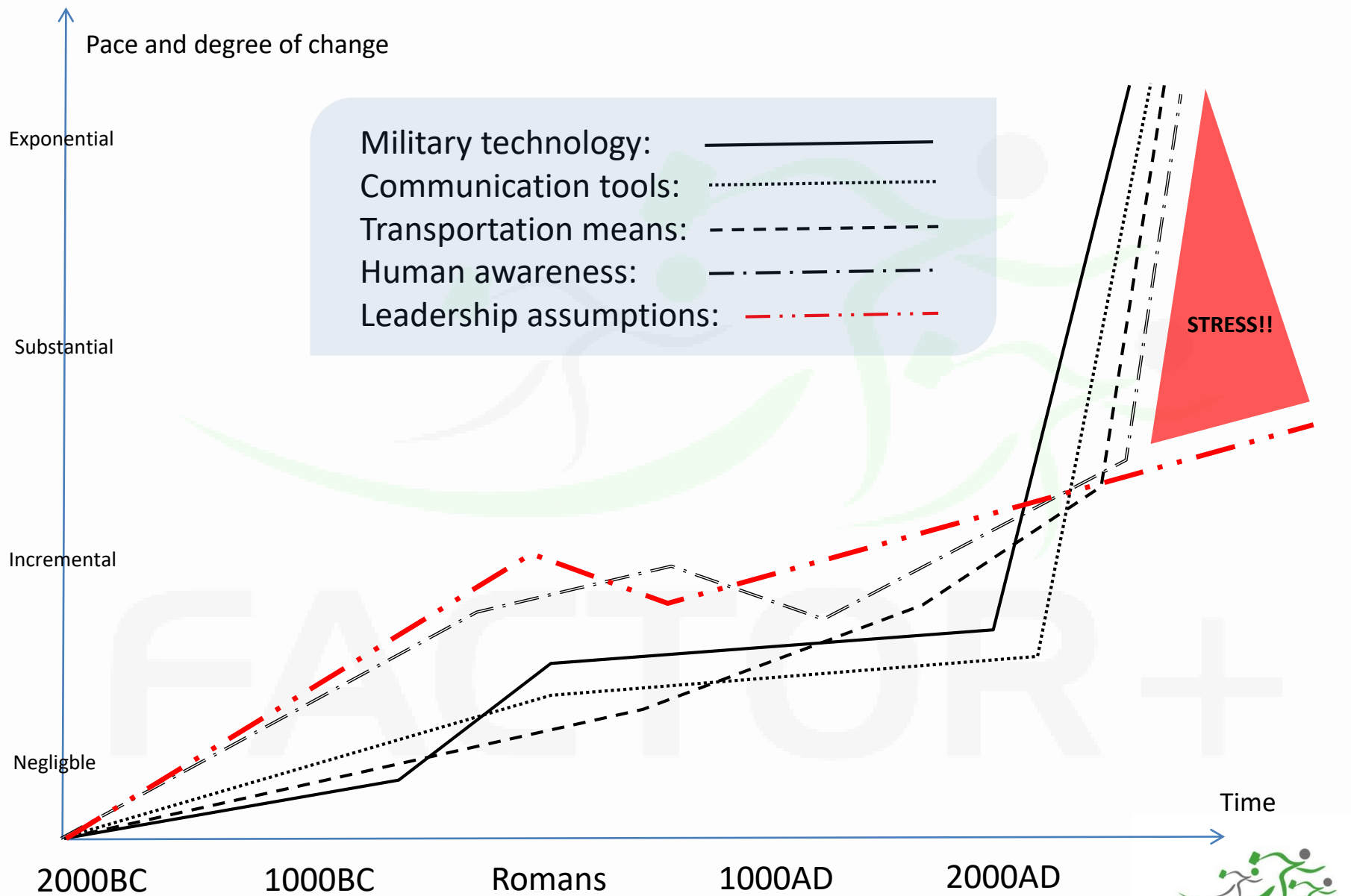


"Between the dawn of civilization and 2003, we only created five exabytes; now we're creating that amount every two days. By 2020, that figure is predicted to sit at 53 zettabytes (53 trillion gigabytes) -- an increase of 50 times." -- Hal Varian, Chief Economist at Google.

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Author: Nick Obolensky: Complex Adaptive Leadership. Embracing paradox and uncertainty.



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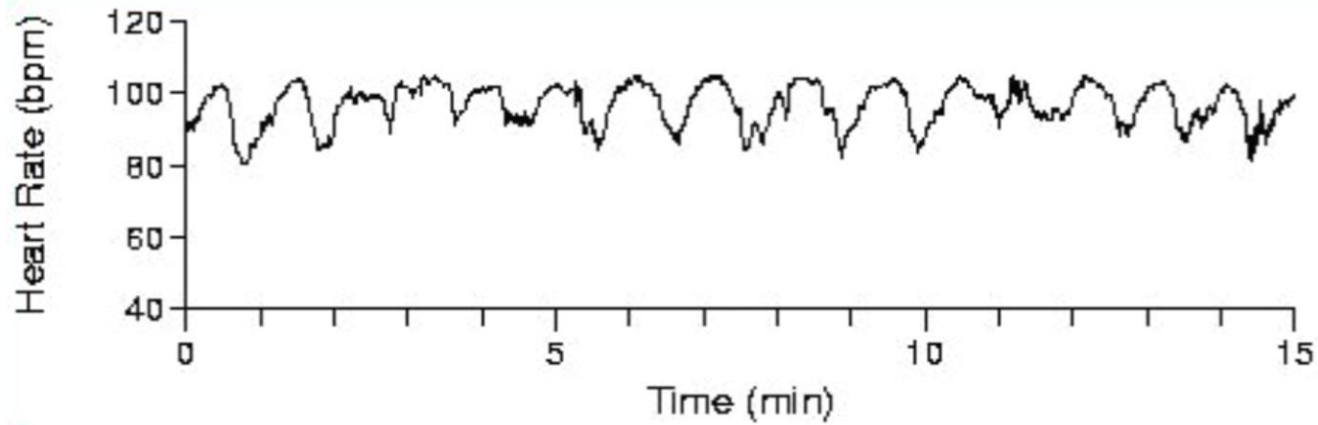
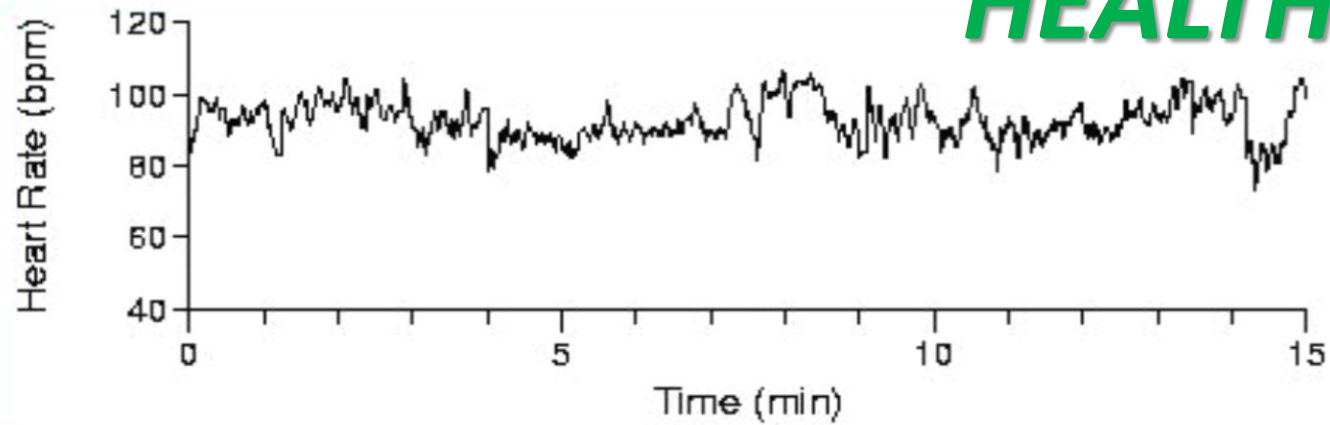
Lesson

- Creating a venture in an exponentially complex world is permanent STRESS.
- Assemble a team that functions well under stress.
- Assemble a team that INTERACTS well.

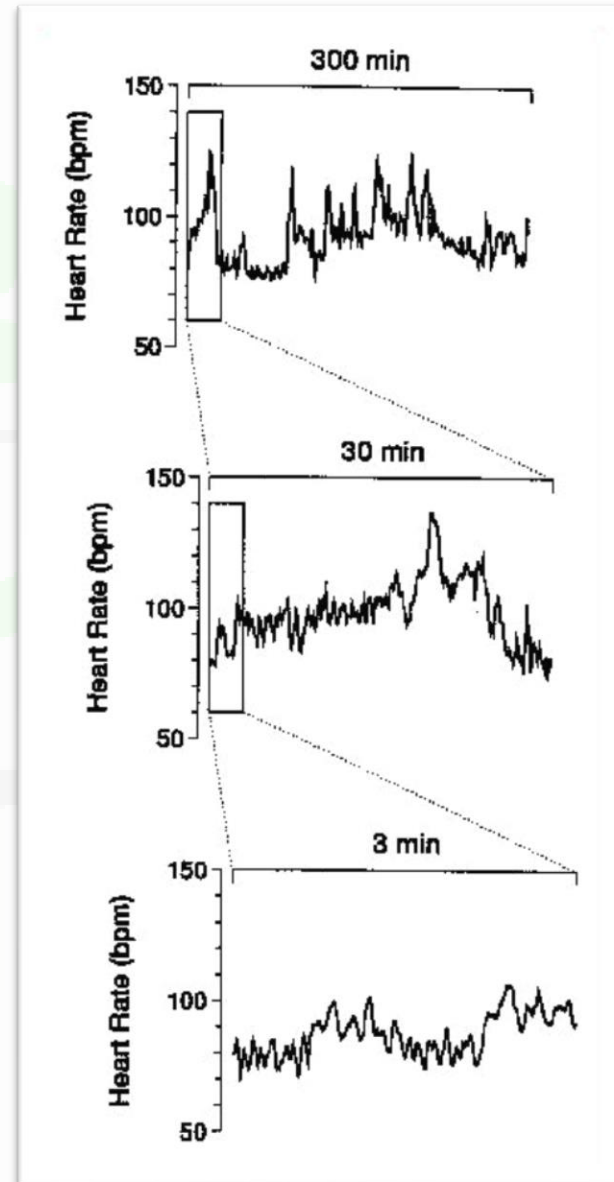


INTERACTION FACTOR+

HEALTHY



Look for
Fractals in your
venture!



Possible Fractals for Stress

- Not enough humour, too serious
- Problems keep coming back
- Bad meeting habits:
 - Interruptions, not listening
 - Lots of advocacy and argumenting
- Old routines and habits
- “The Boss Is Always Right...”

Your venture...

- Different from teams in larger organizations:
 - High risk of failure (50-60% first two years)
 - Low job security
 - Looooooooong hours
 - Strong requirements for adaptability
 - High commitment needed
 - Low starting pay
 - Driven by opportunity to express talents
 - Prospect of long-term awards.

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CULTURE!

What is more important?

CULTURE

PRODUCT



What is more important?

CULTURE

PRODUCT

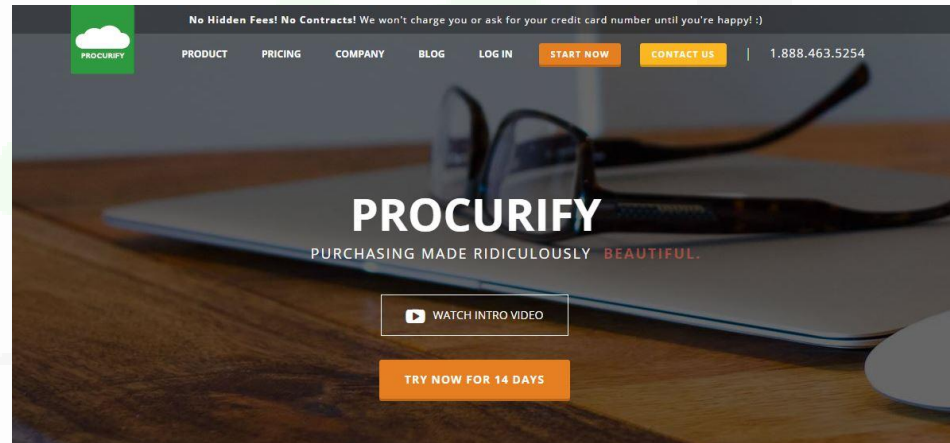
Europe more conservative.

North America since
2000...



Check out...

PROCURIFY



WHO WE ARE

We believe that anything worth doing - is worth doing ridiculously.

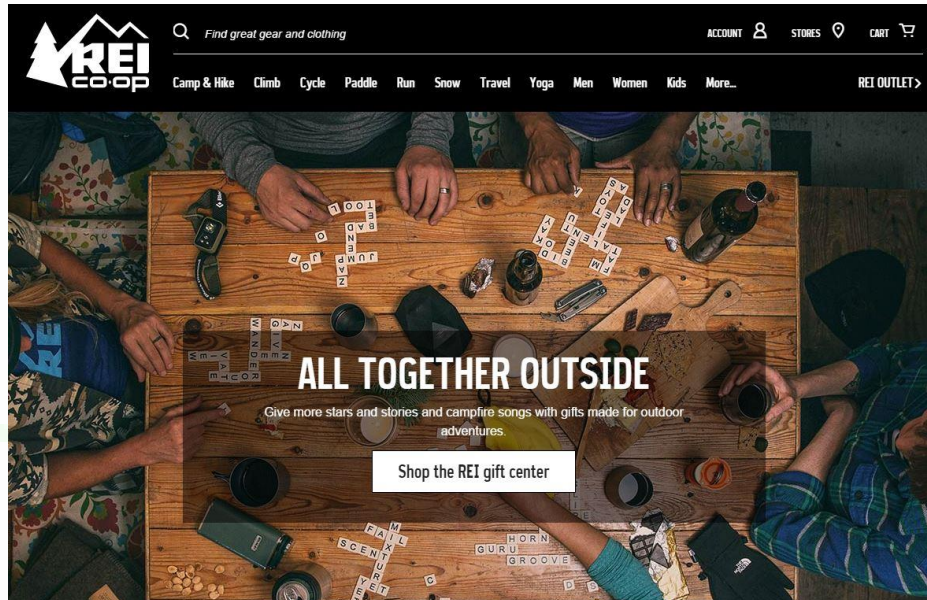
"By building a culture focused on humility, passion, teamwork and finding a better way, start-up Procurify has created an environment in which all members of the team feel welcome to share unique opinions and insights. This has allowed the company to grow as rapidly as it has, in countries all over the world...."

Huffington Post, 15/10/2014

Check out...

REI

Recreational
Equipment
Inc.



"It's all about getting the culture right. Employees can get benefits and incentives anywhere, but it's harder for them to find a place where they can totally immerse themselves in the culture. We attract outdoors-oriented employees who sustain the culture and attract even more like-minded employees. They share the same interests and values; they're committed to the environment, to the community, to work-life balance, and to having fun outside. And that goes for management, too....."

Norms & Values

- Set of shared beliefs and rules about what is right and wrong around us.
- The culture we want to encourage
- The standards we set ourselves
- The principles that guide the company's efforts and investments.
- Everything will change,... but not the Values.

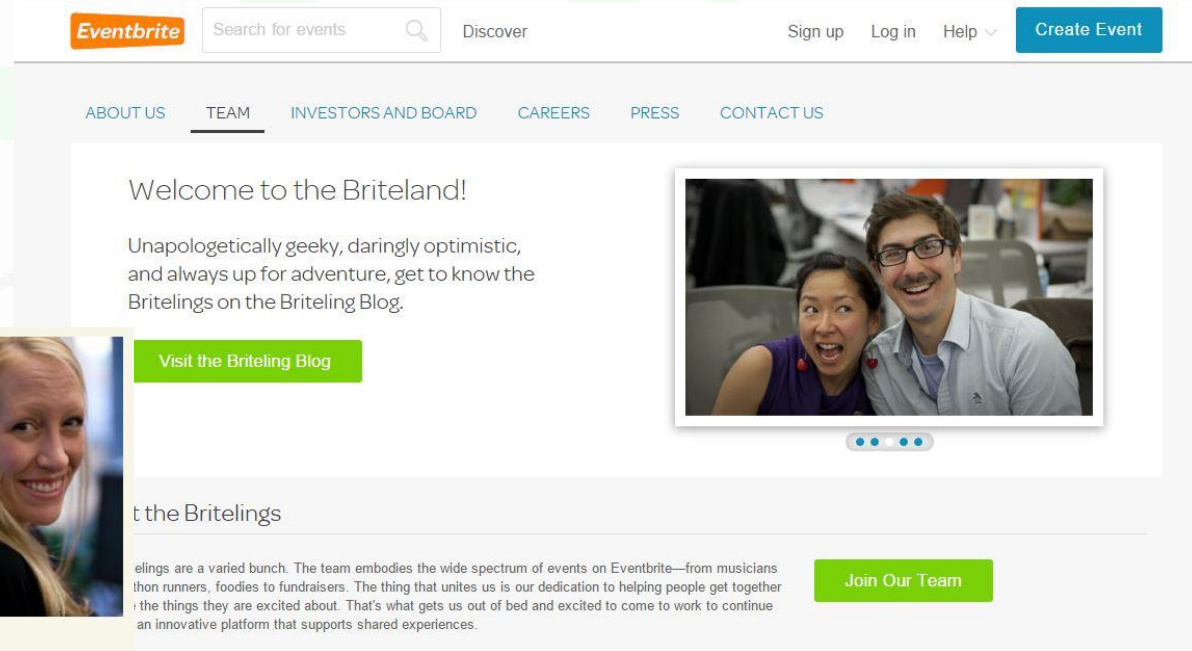


Values

- Ideals and motives a group aspires to.
- Conceptions about what is desirable.
 - Personal values : values endorsed by an individual.
 - Moral values : values that help determine what is morally right or wrong
 - Aesthetic values: values associated with the evaluation of art or beauty.

Check out...

Eventbrite



In 2009, Eventbrite raised funding and was gearing up to triple its employees in less than a year. Fearing what this would do to their culture, cofounder Julia Hartz started thinking. "What would happen if a founder of a company . . . focused on people?" she wondered.



Four years later, at over 200 employees, Eventbrite is a company that Hartz sees as not just happy, but impressively productive. And her job continues. "I focus my day and my life, really, on the people of Eventbrite," she says.

"They define their key values as Accessible, Empowering, Social, Delightful, Innovative and Genuine. Their values are woven tightly into their hiring process, including an evaluation of each and every candidate for values alignment. Founders Kevin and Julia Hartz operate by the core principle of putting people first, company second and personal interests third. Despite raising more than \$50 million in their recent financing round, Kevin and Julia did not take a dime off the table."

Gigaom, December 2011.



Investors' perspective

“A strong team can make something out of a second-rate idea.... but a great idea will not succeed if the team is not fit for purpose!”

Spend as much thought on recruiting, organizing and retaining loyalty and commitment of the venture team as on strategy and product.

Venture Capital – investment criteria

The TEAM is extremely important

→ “VC Funds invest in teams
not in businesses”

- Has the team all the required skills and experience to execute the companies’ plan?
- Are team members flexible enough to change plans drastically when needed?
- Can teams live with the fact that investors participate in the company as an important shareholder (“Founderitis”)?

The team will have to convert the potential into a successful business



“I don’t have to be a team player,
Crawford. I’m the team owner.”

The External Team

- Family, friends, believers...
- Business Angels
- Incubators, Accelerators
- Capital providers
- Board of Directors
- Advisory Board
- Business consultants
- Partners
-

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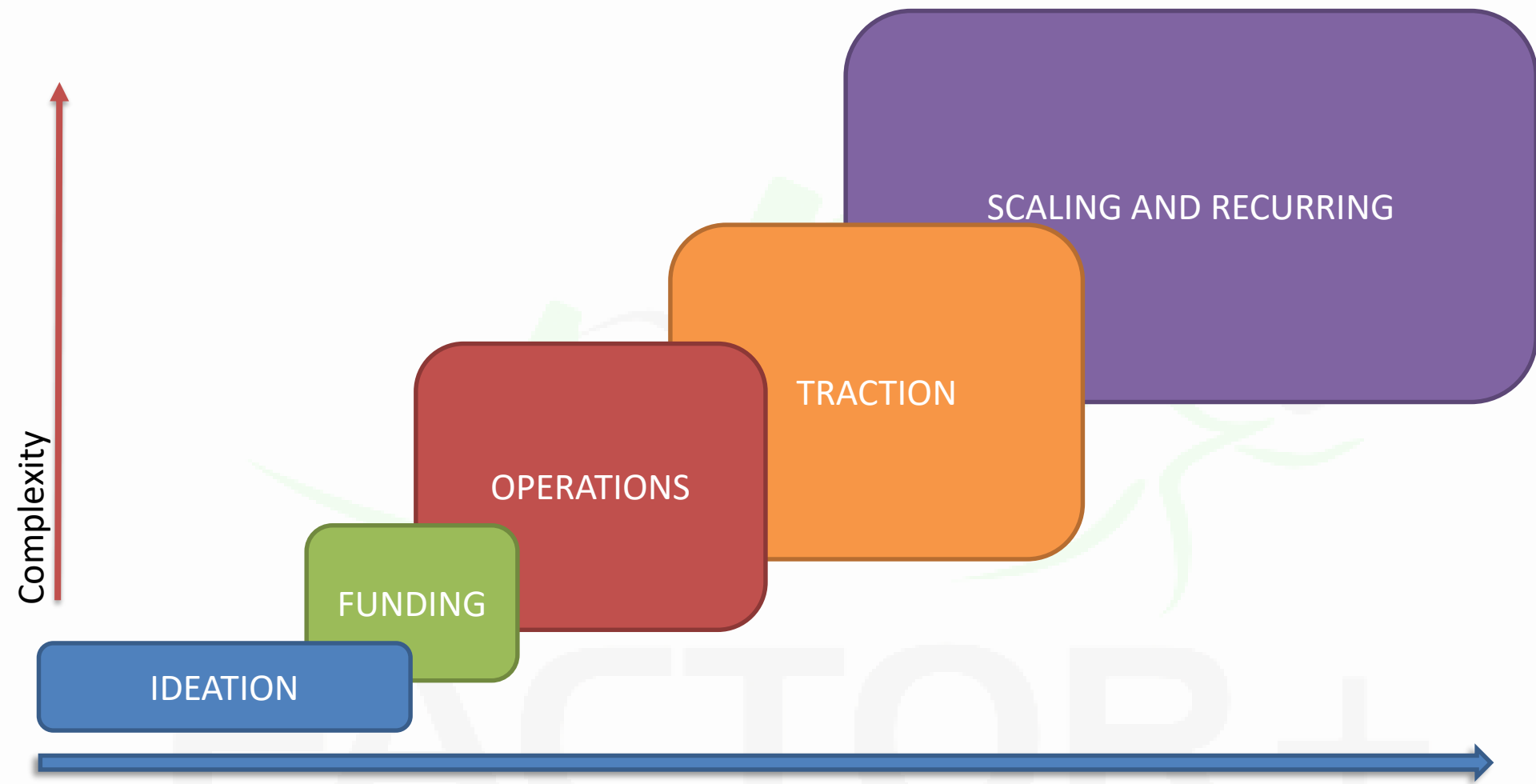


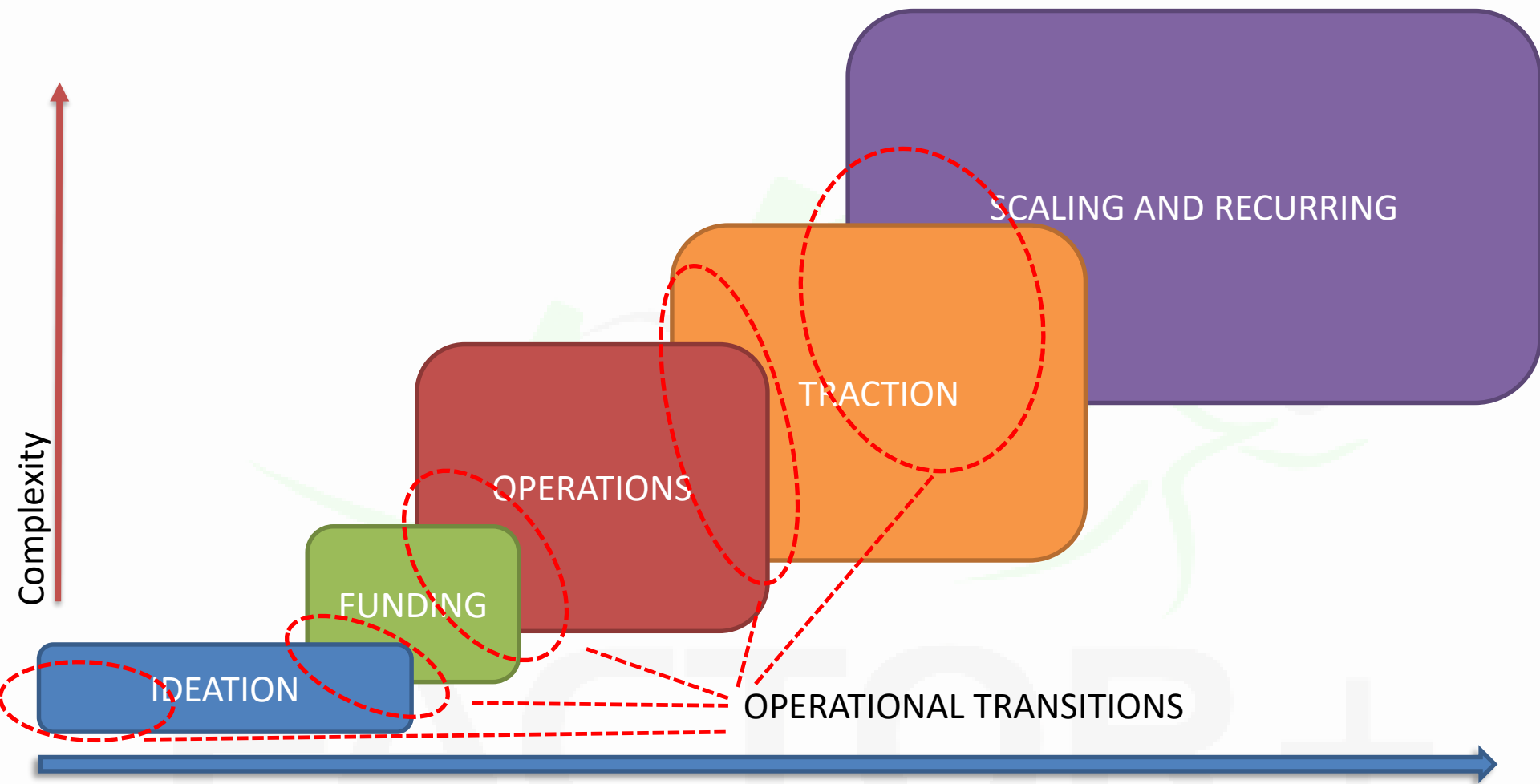
MOST POTENTIAL (*DAMAGE*)!

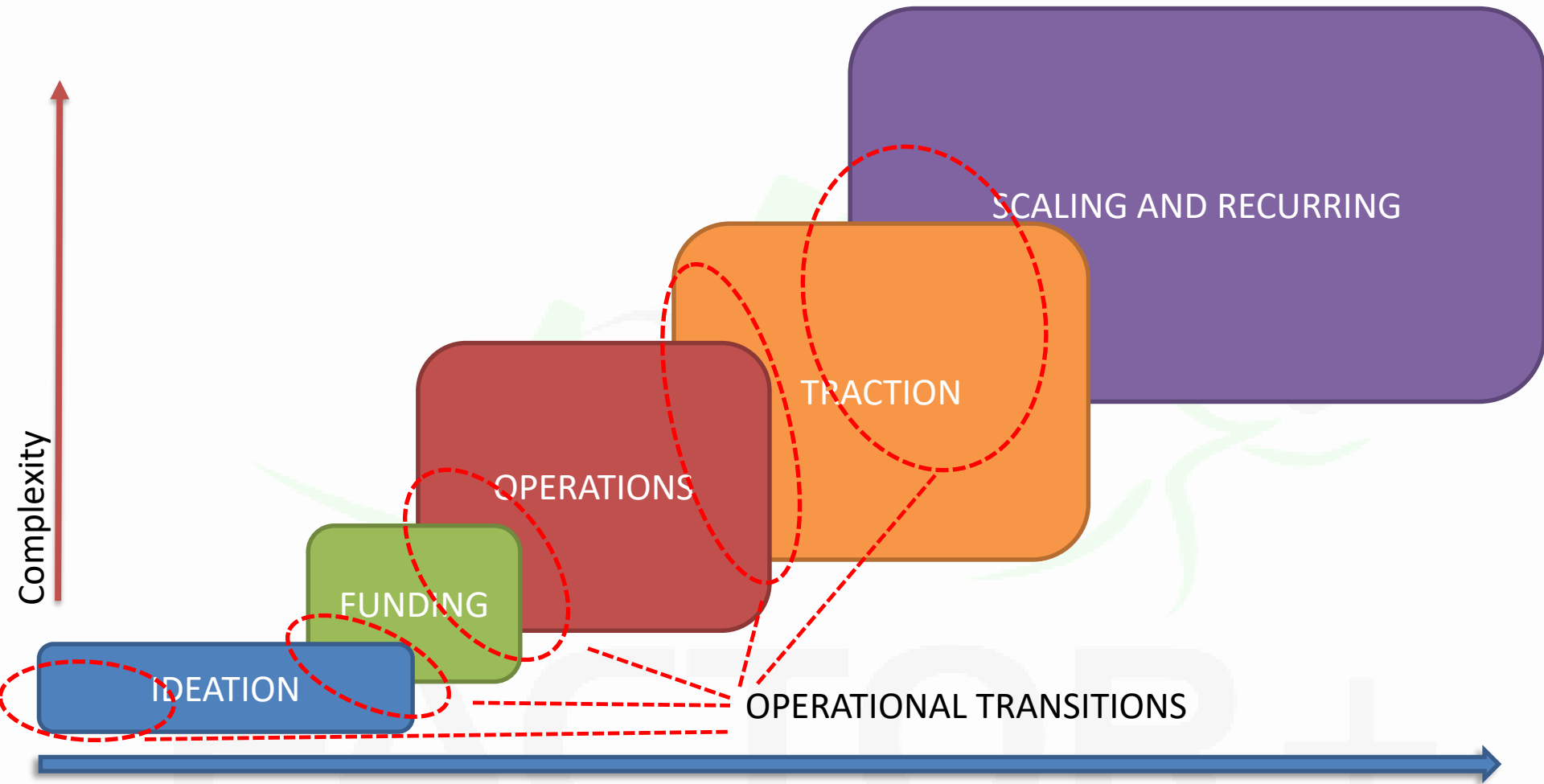
You have assembled your team....

- What do you do?
- How do you work?
- What is your role?
- Where should you focus?

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Focus on the transitions more than the phases itself!

INTERACTION DYNAMICS

The shift from
“investing in assets”
to
“creating optimized interaction between assets”

INTERACTION between assets?

With *COLLEAGUES, CUSTOMERS, STAKEHOLDERS, FAMILY, THE OFFICE BUILDING, TOOLS, SYSTEMS, PROCESSES, COMMUNICATION, ADVERTISING, MEETINGS, VALUES, ...*

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Harvard Business Review 2012



Massachusetts Institute of Technology



Massachusetts Institute of Technology



COMPETENCE



Massachusetts Institute of Technology



**KNOW-HOW
COMPETENCE**



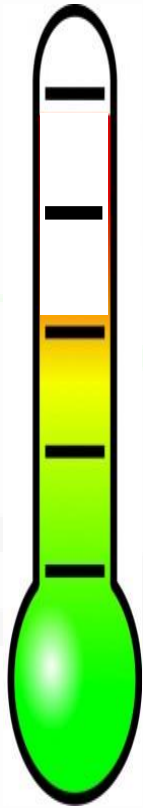
Massachusetts Institute of Technology



**TALENT
KNOW-HOW
COMPETENCE**



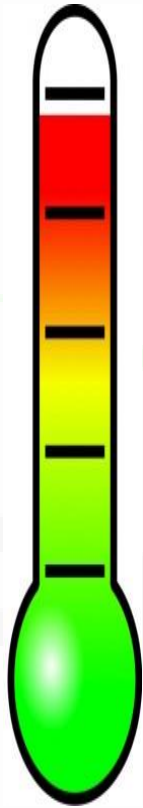
Massachusetts Institute of Technology



**LEADERSHIP
TALENT
KNOW-HOW
COMPETENCE**



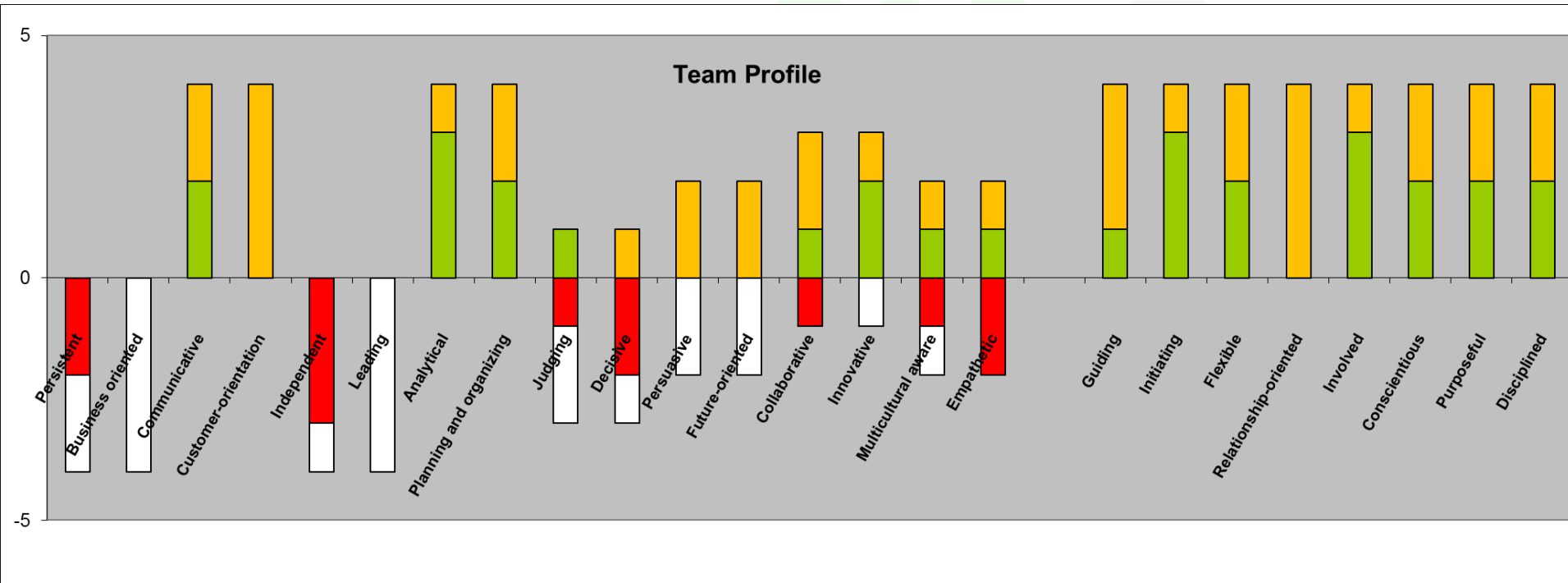
Massachusetts Institute of Technology



INTERACTION- DYNAMICS

**LEADERSHIP
TALENT
KNOW-HOW
COMPETENCE**

Remember the non-cognitive profiling?



Be a conductor

Leonard Bernstein

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Interaction Dynamics

- Using respective strengths
- Pooling know-how, experience and insights
- Overcoming the Flight, Fight, Freeze reaction
- Engagement and commitment
- Shared ownership
- Pivoting and nimble operations
- High-performance



Dissecting “Interaction”

- As an entrepreneur what do you need to look at?
- What can you influence?
- What should be your role?

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Measuring Interaction-Dynamics

360° observation



30

minutes

3

LEVELS

1. *CONTENT*
2. *BODY-LANGUAGE*
3. *BEHAVIOUR*

Analysis

CONSTRUCTIVE UTTERANCE

Appreciation
Support
Encouragement
Confirmation
Motivating
Stimulating
Initiating
Relaxing
Exploring

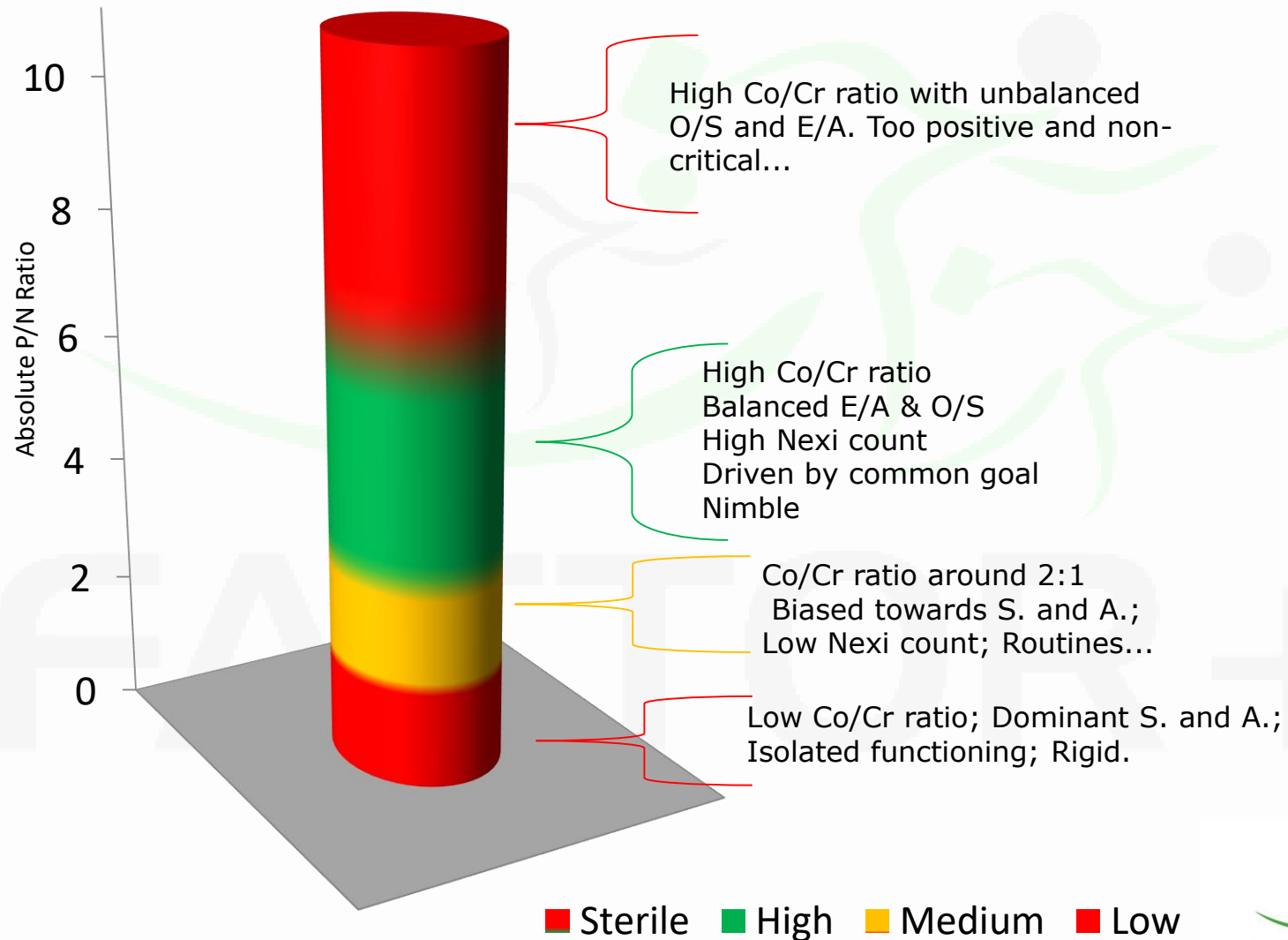
...

CRITICAL UTTERANCE

Rejection
Sarcasm
Cynism
Denial
Restraining
Denigrating
Causing tension
Retentive
Advocating

...

Interaction performance level



Interaction components/values

1. Co/Cr Ratio > 3 and < 6:1
2. # Nexi +/- 30/hour
3. E/A Ratio 1:1
4. O/S Ratio 1:1
5. # BEHAG counts > 1/interaction
6. ADAPTOR > 1/interaction

1. BEHAG

BEHAG «Big External Hairy Audacious Goal»



It is not “just” about the goal ...

IT'S ABOUT COMMITMENT.

“If a man says he is not afraid of dying, he is either lying or he is a Gurkha.”

Former Chief of staff of the Indian Army, Field Marshal Sam Manekshaw



Think of it as...

A Chicken Race.

OPPONENT 1

OPPONENT 2



2: Nexi

Nexi = connected-ness.

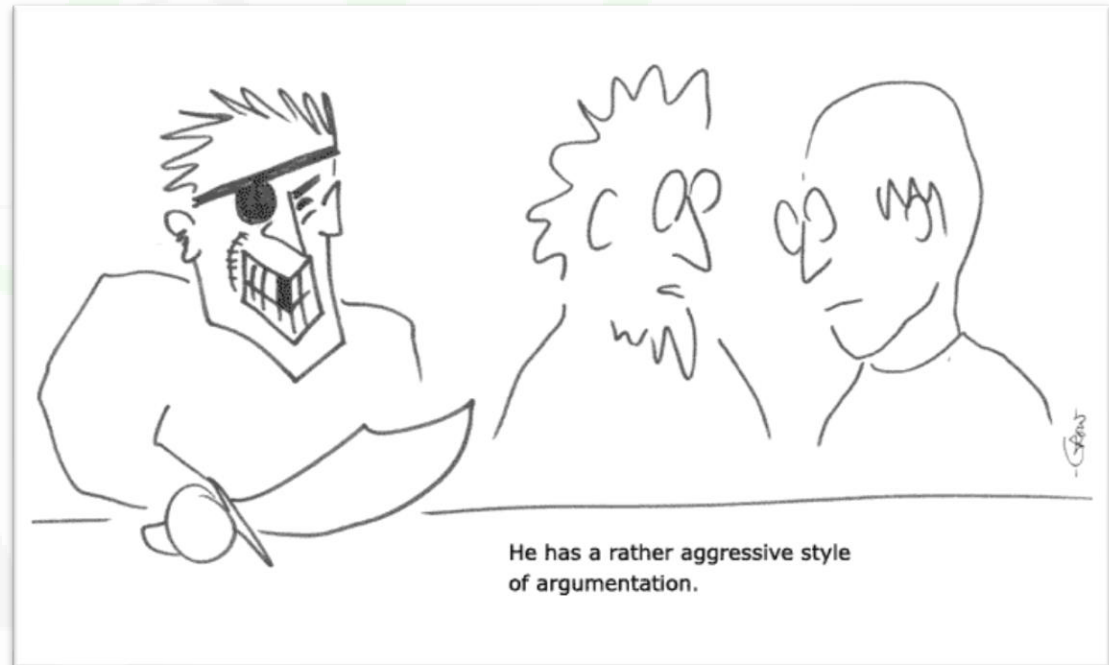


Sequential positive connectivity generating sustainable, transversal relationships.

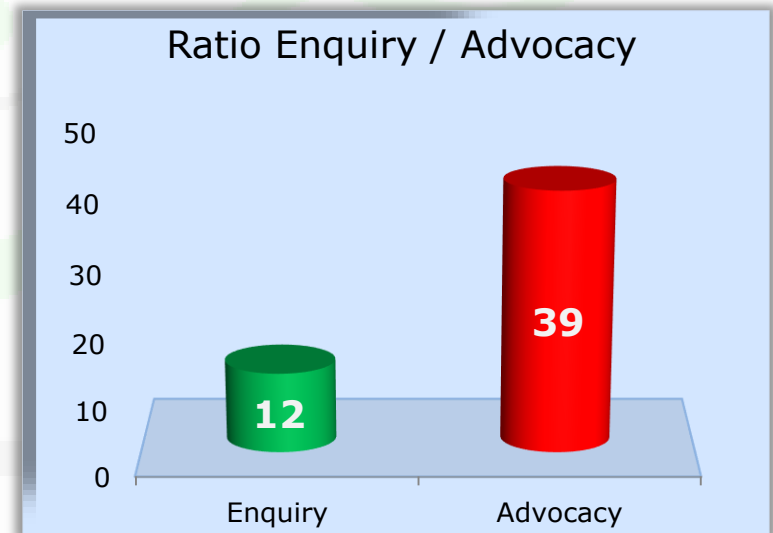
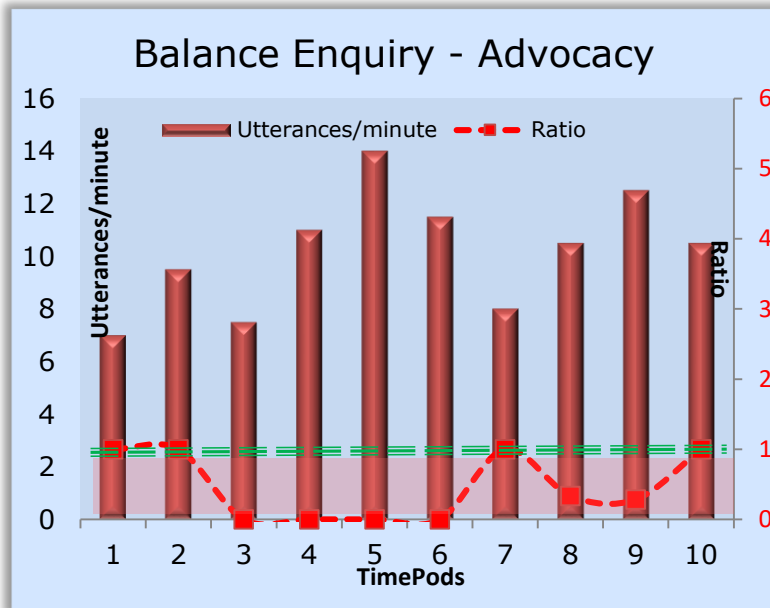
Need 30+ Nexi/hour of group interaction.

3: Enquiry/Advocacy Ratio = 1:1.

- The ratio between Argumentation and active Listening.



Interaction E/A Ratio



Focus on the E/A ratio

- Relationship between Enquiry (E) and Advocacy (A)
 - How much is asked vs. how much is argued.
- Very powerful element in team dynamics.
- “**Dialogue**” as opposed to “**Discussion**”
 - Dialogue:
 - Genuine interest
 - “Us”, not.. “I”.
 - Exchange
 - Discussion:
 - Winner-loser
 - Divides

4: Other/Self Ratio = 1:1.

O/S ratio: external or internal oriented interaction.



5: Co/Cr ratio >3 and $<6:1$

Ratio between Constructive and Critical utterances.

<0.65	: destructive
$0.65 - 1$: low performance
$1 - 1.5$: medium
$1.5 - 3$: performant
$3 - 6$: high performance
$6 - 11$: sterile.



6: Adaptorship always

The constant endeavour to ALWAYS be better...

« What have we not seen? »



This is a very powerful tool!!!

- To deal with difficult situations
- Let's try something....

NEED ALL OF YOU!

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When things “go South”...

- “Hire slow,... fire fast”
- Interaction Dynamics >> Competences.
- Never stand alone
- What doesn't kill you, makes you stronger!
- But don't blame it on me...

Godspeed!



Wouter Van Roost

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