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## 13. Building New Venture Team

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## The Founder or Founders

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- Founder or Founders
  - The characteristics of the founder or founders of a firm and their early decisions have a significant impact on the manner in which the new venture team takes shape.
- Size of the Founding Team
  - Heterogeneous vs. homogeneous
    - heterogeneous with respect to knowledge, skills and experience is considered a good thing. Complementary skills and knowledge.
    - Homogeneous with respect to personal characteristics and motives helps to avoid team conflict.
  - The bigger the better? Not really.
    - 50-60% are founded by individual
    - Teams bring more strength but also more complexity.
    - Perhaps 3 or four members of the core team, but it varies.

- Qualities of Founders
  - Several factors are thought to be significant to a founder’s success.
    - Prior entrepreneurial experience
    - Relevant industry experience
    - Passion
    - The ability to “network” effectively
    - Cohesion of the team
- **“Liability of newness”**
  - This refers to the fact that new organizations are far more likely to fail

## Founding Team Relationships

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Several factors are crucial in developing strong working relationships among the team:

- Clear initial assignment of roles
- Effective communication
- Careful attention to perceived fairness
- Clear defined founders' agreement

## More than just the core team.

- Around the core team of founders, one must assemble a variety of other individuals whose involvement can help lead the venture to success. This can include the Board of Directors, Advisory Board, Investors and Lenders, and others



Would this be a team that you would invest in?

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- Who ARE these folks?

Would this be a team that you would invest in? ( I wish I had!)

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- Microsoft Founders -1978 Top-Steve Wood, Bob Wallace, Jim Lane  
Mid- Bob O'Rear, Bob Greenberg, Mark McDonald, Gordon Letwin  
Front – Bill Gates, Andrea Lewis, Marla Wood, Paul Allen

## Maybe this group would be better?

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- Mark Zuckerberg, Yuri Milner, Eduardo Saverin, Sean Parker, Peter Thiel, and Dustin Moskovitz -The Facebook Billionaires
  - <http://www.switched.com/2011/03/10/six-facebook-billionaires-hit-forbes-list/>

## Mike Wozniak (Woz) and Steve Jobs

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*“No one wants to die. Even people who want to go to heaven don’t want to die to get there. And yet, death is the destination we all share. No one has ever escaped it. And that is as it should be, because Death is very likely the single best invention of Life. It’s Life’s change agent. It clears out the old to make way for the new. Right now the new is you, but someday not too long from now, you will gradually become the old and be cleared away. Sorry to be so dramatic, but it is quite true.*

*Your time is limited, so don’t waste it living someone else’s life. Don’t be trapped by dogma — which is living with the results of other people’s thinking. Don’t let the noise of others’ opinions drown out your own inner voice. And most important, have the courage to follow your heart and intuition. They somehow already know what you truly want to become. Everything else is secondary.”*

*-Steve Jobs –Stanford University, 2005*



## ILinc LearnLinc Team

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- One Professor of Physics, Information Technology, Engineering Science, and Management –Jack Wilson
- Two MBA students
  - Degerhan Usluel –Electrical Engineering Undergraduate now getting MBA. Had already started a tech company in Turkey.
  - Mark Bernstein- MBA –Former “top gun” Salesman at Computer Associates.
- Heterogeneous team –but very compatible personalities.
- Began in 1993, three rounds of VC, mergers, acquisitions, sold in 2000 to Gilat. Became Mentergy
  - –worth \$500 million in weeks after sale.



- Recruiting Key Employees
  - Startups vary in terms of how quickly they need to add personnel.
  - Why hire someone else to be the top managers?
  - Desired characteristics
    - Broad experiences
    - Intellectual curiosity
    - Objectivity
    - Building respect
    - Vision
    - Pattern recognition
    - A sense of competition
    - Appreciation of people

# Recruiting and Selecting

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- What do you need
  - Job analysis—what knowledge, skills, and abilities are required?
  - Job description—an overview of what the job involves
- Where to look
  - Social networks, Web, Facebook, Twitter, LinkedIn, etc.
  - Trade journals, newspapers, etc.
  - College and university employment centers
  - Internet sites
  - Referrals from employee or current customers
  - Headhunters

## Selection Process and Technique

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- Phone interviews
- On-site interviews
- Reference checks
- Homework assignments
- Open house hiring
- *Topgrading: How Leading Companies Win by Hiring, Coaching, and Keeping the Best People* by Brad Smart

## Team Building Issues

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- “What Google Learned From Its Quest to Build the Perfect Team: New research reveals surprising truths about why some work groups thrive and others falter.”
  - NY Times; Feb. 25, 2016; Charles Duhigg
  - <http://www.nytimes.com/2016/02/28/magazine/what-google-learned-from-its-quest-to-build-the-perfect-team.html?smid=fb-nytimes&smtyp=cur>
  - “As commerce becomes increasingly global and complex, the bulk of modern work is more and more team-based. One study, published in The Harvard Business Review last month, found that “the time spent by managers and employees in collaborative activities has ballooned by 50 percent or more” over the last two decades and that, at many companies, more than three-quarters of an employee’s day is spent communicating with colleagues.”
  - In Silicon Valley, software engineers are encouraged to work together, in part because studies show that groups tend to innovate faster, see mistakes more quickly and find better solutions to problems.
  - Studies also show that people working in teams tend to achieve better results and report higher job satisfaction.
  - In a 2015 study, executives said that profitability increases when workers are persuaded to collaborate more. Within companies and conglomerates, as well as in government agencies and schools, teams are now the fundamental unit of organization. If a company wants to outstrip its competitors, it needs to influence not only how people work but also how they work together.

## Qualities of Good Teams (Google)

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- “First, on the good teams, members **spoke in roughly the same proportion**, a phenomenon the researchers referred to as “equality in distribution of conversational turn-taking.” On some teams, everyone spoke during each task; on others, leadership shifted among teammates from assignment to assignment. But in each case, by the end of the day, everyone had spoken roughly the same amount. “As long as everyone got a chance to talk, the team did well,” Woolley said. “But if only one person or a small group spoke all the time, the collective intelligence declined.””
- “Second, the good teams all had high “average **social sensitivity**” — a fancy way of saying they were skilled at intuiting how others felt based on their tone of voice, their expressions and other nonverbal cues. One of the easiest ways to gauge social sensitivity is to show someone photos of people’s eyes and ask him or her to describe what the people are thinking or feeling — an exam known as the Reading the Mind in the Eyes test. People on the more successful teams in Woolley’s experiment scored above average on the Reading the Mind in the Eyes test. They seemed to know when someone was feeling upset or left out. People on the ineffective teams, in contrast, scored below average. They seemed, as a group, to have less sensitivity toward their colleagues.”

# The Roles of the Board of Directors

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- **Board of Directors**
  - Required by a corporation
  - A board of directors is a panel of individuals who are elected by a corporation's shareholders to oversee the management of the firm.
    - An **inside director** is a person who is also an officer of the firm.
    - An **outside director** is someone who is not employed by the firm.
  - Responsibilities:
    - Appoint the officers of the firm
    - Declare dividends
    - Oversee the affairs of the corporation

# The Roles of the Board of Directors-2

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- Provide Guidance
  - Although a board of directors has formal governance responsibilities, its most useful role is to provide guidance and support to the firm's managers. Many founders and CEOs interact with their board members frequently and obtain important input and advice.
  
- Lend Legitimacy
  - Another important function of a board of directors is to lend legitimacy to a firm. Well-known and respected board members bring instant credibility to the firm.
  - **Signaling:** When a prominent person takes a major role, it signals that this is likely to be a high quality start-up.

- **Board of Advisers**

- A board of advisors is a panel of experts who are asked by a firm's managers to provide counsel and advice on an ongoing basis.
- An advisory board possesses no legal responsibility for the firm and gives nonbinding advice.
- the members of a company's board of advisers provide guidance and lend credibility to the firm.
- “signaling” –using appointments to show credibility

## Board of Advisers-2

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- Guidelines to Organizing a Board of Advisers
  - Advisers will become disillusioned if they don't play a meaningful role in the firm's development and growth.
  - A firm should look for board members who are compatible and complement one another in terms of experience and expertise.
  - When inviting people to serve on its board of advisers, a company should carefully spell out to the individuals involved the rules in terms of access to confidential information.

## Lenders and Investors

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- Lenders and investors have a vested interest in the companies they finance, often causing them to become very involved in helping the firms they fund.
- Example: eBay took VC from Benchmark Capital to establish credibility –even though they did not need the money. (Recruited Meg Whitman as the CEO)

# Other Professionals

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- Other Professionals
  - Attorneys
  - Accountants
  - Insurance agents
  - Business consultants
  - Outsourcing with independent contractors

## How important is the team?

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- Venture Capitalists and other investors often say:
  - I would rather invest in an “A” team with a “B” product than a “B” team with an “A” product.
  - I think that most of us would prefer an “A” team with an “A” product!
  - Research shows that the team is very important, but so is the product-market fit.