Changing the World: Entrepreneurship:
  How Innovation and Entrepreneurship Changes the World
  -Jack M. Wilson

Chapter 10   Building your team: Characteristics of Innovative Organizations and Leaders

The importance of the team

Building an entrepreneurial team is one of the most difficult and important tasks that you will face. Venture capitalists and others have a strong respect of experienced and successful teams. There are many "rules of thumb" quotes for evaluating teams.

The famous author, Helen Keller, who was blind, said that "*Alone, we can do so little; together we can do so much*."

Andrew Carnegie, an entrepreneur that we met in the first chapter, liked to say "*Teamwork is the ability to work together toward a common vision, the ability to direct individual accomplishments toward organizational objectives. It is the fuel that allows common people to attain uncommon results*."

Michael Jordan, one of the greatest basketball players of all times, said "*Talent wins games, but teamwork and intelligence win championships*."

Wise and Feld offer three investor quotes:
  * *Bet on the jockey and not the horse.*
  * *An A team with a B idea beats a B team with an A idea.*
  * *People is to opportunity as location is to real estate".*
    (The real estate quote is that "there are only three things that are important in real estate: location, location, and location.)

There is obviously truth in these perspectives, but later we will see that research tends to indicate that the people are very important, but perhaps not everything.

Characteristics of successful teams

There are a number of key factors in building a successful team. The size is important. Investors like to a see a team of 2-4 persons. Too many team members can introduce complexity, and too few team members do not provide a diversity of skills and experiences.

Teams seem to perform best if they contain some complementary skills and experience. In building the ILinc team, we began with a team of three persons. Wilson provided the "gray hair" as a senior person with extensive business contacts and computer experience. Degerhan Usluel was an electrical engineer who had tremendous electrical and computer

engineering skills and was also a good manager who had been involved in a family venture in Turkey. Mark Bernstein was a former top gun sales person in industry and had been a co-founder in a computer process recovery startup. Usluel had worked in Wilson's laboratory helping to build applications for the then new Microsoft Windows networking system. He met Bernstein in their MBA program and recruited him to the team.

Diverse abilities and talents fill out good teams. Consider the skills needed to build the company and the skill present on the team. If you find something missing, then you need to recruit that skill to your team.

The text suggests that you generally avoid friends and family as team members. Business dispute become more profound when family relationships are present. Potential conflicts can arise which spill over into other areas. Although this is good advice, many startups do involve family members, and the best advice is to be cautious.

In all cases, be sure that you write a clear job description for each team member and do a written business agreement setting out the roles and responsibility of each team member. This agreement might also include a vesting period for stock ownership and perhaps even how you might resolve the departure of team members.

For most investors it would be a red flag if none of the team members are **devoting full time** to the venture. The **Catch-22** is that you may need the investment before you can quit your job, but if you are not full time, then investors are reluctant to commit.

The best advice is to plan a lot and then plan for what happens when your plan does not work.

Investors are also looking for those who have **been there and done that**. Experience is valuable. Failure in a previous venture may actually help you to learn how to be successful in the next.

Passion
Passion is a key aspect of entrepreneurship, BUT you need to balance your passion with being realistic and grounded. You have to have passion, but you cannot let it blind you.
Coachability
As we saw earlier, over-confidence is one of the frequent sources of disastrous errors. Team members need to be coachable and open to learning. If asked where you see yourself in three years say "wherever the company needs me." and not "I'm the only CEO we will ever need." Avoid answers that appear egotistical. Show that you value others.

According to Noam Wasserman, Harvard writing in "*The Founder's Dilemma: Anticipating and Avoiding Pitfalls That Can Sink a Startup,*" there are a few things that one must consider in forming the team.

- Bring in co-founders who have the technical expertise, sales background, or social connections that you lack.
- Creating a more diverse team give you access to a wider, more diverse network. i.e. similar people tend to have similar networks
- Avoiding co-founding with friends and family. The eventual conflict far outweighs the value
- Creating a clear division of labor helps accountability and creativity to flourish.
- Having a plan to address problems
- Don't avoid conflict; plan for it.

There are three key factors needed in a team. The ability to attract a team with these three factors can make a difference. These are:

- Business Acumen
- Domain Knowledge –remember effectual entrepreneurship and the principle of the bird in the hand.
- Operational Experience
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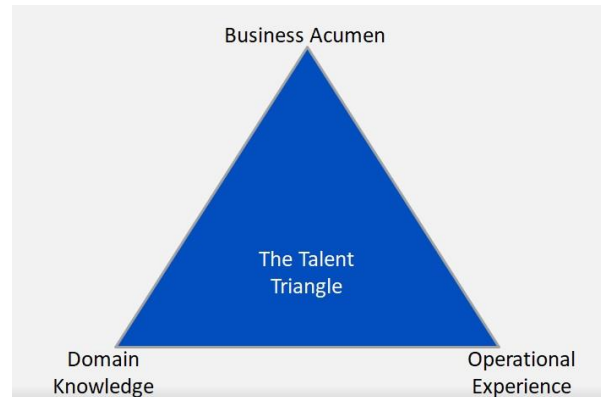This is sometimes called the Talent Triangle

Figure 1 The Talent Triangle

Behavioral Economics also tells us that we need to have strategies to avoid the confirmation bias and the availability bias. One of the best ways to do this is to have great mentors and advisors who can help you. They also bring a network that can be helpful to you in working with other and finding resources.

Mentors were hugely helpful to me when I started ILinc –even when I did not take their advice! At least I knew what the obstacles were. You will also want to have a **Board of Advisors** and many forms of enterprises require a **Board of Directors**. The former has no governance responsibility and very little legal liability. They just give advice. The latter, the Board of Directors, has governance responsibility for the venture. They set overarching policy and can hire and fire the CEO and perhaps approve other officers. They also take on potential legal liability and in a later chapter we will see how various business structures can be used to limit liability.

These advisors can help the founders overcome the psychological sources of bias we have discussed. They can also fill expertise gaps and may even provide pro-bono services.

Customers can also be a great source of advice. The Lean Launchpad insists you get out of the office and talk with customers for exactly this reason. You are to listen instead of selling. Customer acquisition is sometimes termed **growth hacking**.

Advisors can also bring social capital.   Remember **Metcalfe's Law**! The value of a network goes up as the square of the number of nodes/computers/people in the network. This is often referred to as **network economics**. Metcalfe's Law explains why Google is more valuable than Yahoo and why Facebook crushed MySpace and other social network sites.

We should also revisit the term **Entrepreneurial Awareness** -opportunities need to be recognized.   Some are good at it. Others?

Here are some characteristics you should look for in team members –characteristics that seem to help
- Prior Experience
- Cognitive Factors –entrepreneurial alertness
  - A major key factor is market awareness and sensitivity.
- Social Networks –solo entrepreneurs and network entrepreneurs
  - Strong tie relationships frequent interaction -often tend to see problems in the same way
  - Weak tie relationships –in-frequent. Weak ties are shown to lead to more ideas –different perspectives.
- Creativity – the process of generating new, often unique, and useful, ideas.

Components of **innovation organizations** from Bessant and Tidd[1]
- *Shared vision, leadership and the will to innovate*
  - *Clearly articulated and shared sense of purpose*
  - *Stretching strategic intent*
  - *A fully committed top management.*
- *Appropriate structures*
  - *Organization design which enables creativity, learning and interaction.*
  - *Sometimes, but not always a loose "skunk works" model.*
  - *Find appropriate balance between organic and mechanistic approaches.*
- *Key Individuals*
  - *Champions, promoters, gatekeepers and other roles which energize or facilitate innovation*
- *Effective Team working*
  - *Good use of teams (local, cross-functional, inter-organizational) to solve problems.*
- *High involvement in Innovation*
  - *Organization-wide continuous improvement activity*
- *Creative Climate*
  - *Positive reinforcement of creative ideas, supported by relevant motivation systems.*
- *External Focus*
  - *Internal and external customer orientation*

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[1] *Innovation and Entrepreneurship*, 3rd ed., by John Bessant and Joe Tidd.

Bessant and Tidd also suggest that great entrepreneurs demonstrate the following traits[2]:

- **Passionately seek** to identify new opportunities and ways to profit from change and disruption.
- Pursue opportunities with **discipline and focus** on a limited number of projects, rather than opportunistically chasing every option.
- Focus on **action and execution**, rather than endless analysis.
- Involve and energize **networks of relationships**, exploiting the expertise and resources of others, while helping others to achieve their own goals.

Research shows certain Cognitive Characteristics of Innovators. Innovators are good at:

- Information acquisition and dissemination.
  - Including the ability to capture information from a wide range of sources, requiring attention and perception.
- Intelligence.
  - The ability and capability to interpret, process and manipulate information.
- Sense making.
  - Giving meaning to information.
- Unlearning.
  - The process of reducing or eliminating existing routines or behaviors, including discarding information.
- Implementation and improvisation.
  - Autonomous behavior, experimentation, reflection and action.
  - Using information to solve problems, for example during new product development or process improvement.

We often characterize innovators on a scale originated by M.J. Kirton –the Kirton Adaptation Index[3]. The two ends of the scale are defined by the titles

- **Adaptors** characteristically produce a sufficiency of ideas based closely on existing agreed definitions of a problem and its likely solutions -but stretching the solutions. These ideas help to improve and 'do better'.
- **Innovators** are more likely to reconstruct the problem, challenge the assumptions and to emerge with a much less expected solution which very probably is also at first less acceptable. Innovators are less concerned with doing things better than with doing things differently.

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[2] *Innovation and Entrepreneurship*, 3rd ed., by John Bessant and Joe Tidd.
[3] http://www.kaicentre.com/initiatives.htm

Leadership –Characteristics and a Cautionary Note.

What does research tell us about leadership?
Reviews of research on leadership and performance suggest leadership directly influences about 15% of the differences found in performance of businesses and contributes around an additional 35% through the choice of business strategy. So directly and indirectly leadership can account for half of the variance in performance observed across organizations. [4]

Although research has identified many characteristics that are associated with good leaders it does not appear that having those characteristics is very well correlated with or predictive of being a good leader! As a silly example (reduction to the absurd): leaders tend to be taller than the average population. That does not mean that a tall person will be a good leader.

At a higher level, one can say that good leaders can be a diverse group.

Good leader are often bright, alert and intelligent -similar to what is known as entrepreneurial awareness (or alertness). They seek responsibility and take charge, and are skillful in their task domain. They are administratively and socially competent, and are energetic, active and resilient. They are usually good communicators.

The innovation then tends to follow this path:
- Preparation -most business ideas stem from previous experience –often at work. Malcolm Gladwell, in his book "Outliers" postulates a "10,000 hour rule." Most individuals that are particularly good at something have devoted at least 10,000 to preparation.[5]
- Incubation -Pondering or ruminating an idea just below the surface.
- Insight –"Eureka" -"Aha!"
- Evaluation -Viability –find the weak spots. Don't be blinded by a dream
- Elaboration - Working out all the details –doing the business plan

Creating Effective High-Performance Teams

Can we then take this group of great leaders and mold it into a great team? These seem to be the requirements:
- Clearly defined tasks and objectives;
- Effective team leadership;
- Good balance of team roles and match to individual behavioral style;
- Effective conflict resolution mechanisms within the group;
- Continuing liaison with external organization.

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[4] http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.466.1272&rep=rep1&type=pdf
[5] "*Outliers*;" Malcom Gladwell; Little, Brown, and Co.; 2008.

As we have seen research has shown that diversity leads to more effective teams.

Tuckman and Jensen[6] suggest that the stages of team formation are:
- Forming -
- Storming – resolving conflicts and leadership and exploring alternatives
- Norming – finding shared values
- Performing
- (Adjourning) –added later -but expressing the need to compete the task.

All teams are groups, but not all groups are teams. The difference is how well they work together.

What obstacles keep teams from being as successful as they should be?
- Lack of actual team work: -group versus team;
- Too much structure. Don't over specify HOW to do the task (the means) –even when the endpoint might be fairly specific. –focus on the ends versus the means
- Not enough structure. On the other hand, a lack of structure tends to allow teams to wander too far afield and use too much time on the task. Some structure is necessary. -structured freedom;
- Teams need to have support, access to the needed information, and even some training. - support structures and systems;
- While teams are formed with specific expertise and experiences, they may need explicit coaching in some areas. - assumed competence.

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[6] https://en.wikipedia.org/wiki/Tuckman%27s_stages_of_group_development