

Building & Growing Entrepreneurial Teams ***the most important predictor of success***

Arthur A. Boni, Ph. D.

**John R. Thorne Distinguished Career Professor
of Entrepreneurship**

**w/contributions from Laurie R. Weingart,
Ph. D.**

**Richard M. and Margaret S. Cyert Professor of
Organizational Behavior and Theory
Interim Provost at Carnegie Mellon**

**Tepper School of Business
Carnegie Mellon University**

References

- Boni and Weingart, “Building Teams in Entrepreneurial Companies”, J. Commercial Biotechnology, Vol.18, No. 2 (2012)
- Boni, Weingart and Todorova, Chapter 7, “Building, Managing and Motivating Great Teams” in Shimasaki (Editor), Biotechnology Entrepreneurship, Starting, Managing and Leading Biotech Companies, Elsevier (2014)

On Teamwork

The strength of the team is each individual member...the strength of each member is the team.

- **Coach Phil Jackson - Chicago Bulls & Los Angeles Lakers (11 NBA titles) (now President of New York Knicks)**

On Knowledge-Based Ventures

□ *“Your most precious possession is not your financial assets. Your most precious possession is the people you have working there, and what they carry around in their heads, and their ability to work together.”*

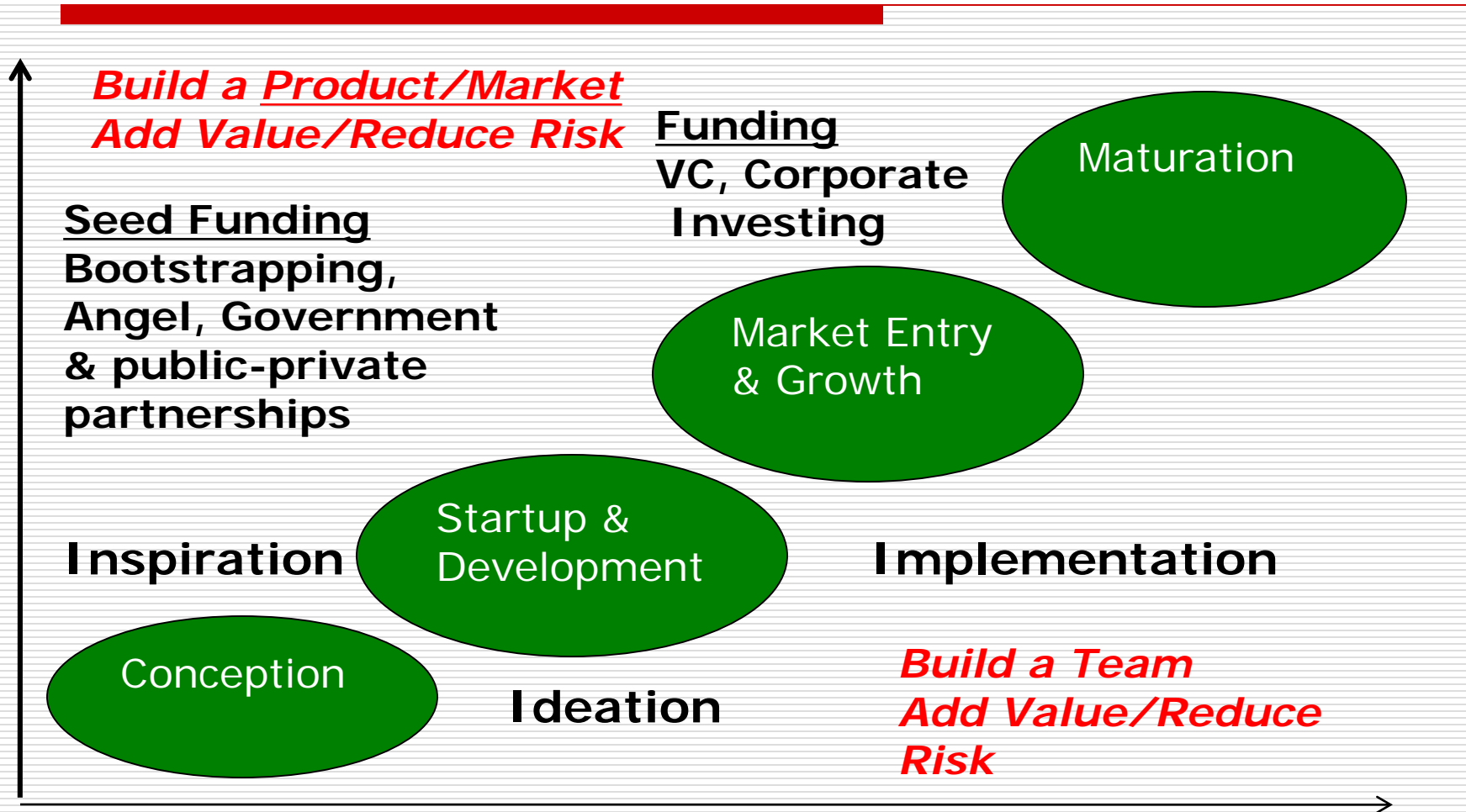
■ Robert Reich – former Secretary of Labor (now at UC Berkeley, School of Public Policy)

From Idea to Opportunity Creating Value



Innovation/Company Life Cycle

Technology, Traction, Team



“startups are not versions of larger companies” – *Steve Blank*

- “a startup is a temporary organization in search of a scalable, repeatable, profitable business model”
 - Requires different rules, roadmaps, skill sets, and tools to minimize risk and optimize chances for success
 - Experimentation to demonstrate product/market fit
 - Customer feedback over intuition
 - Iterative design over traditional development
 - Product/service – market – business model
 - Build the extended team incrementally

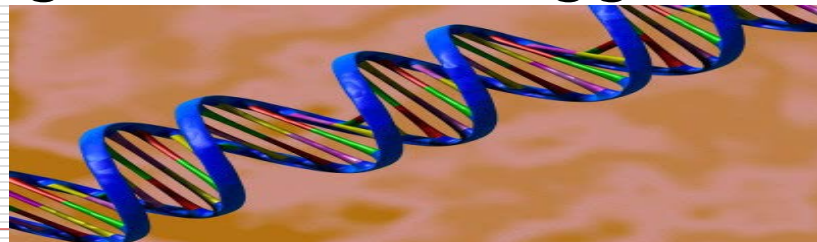
Quote from Eric Ries

- “A human institution designed to create new products or services under conditions of extreme uncertainty”
- “Works in a company of any size, in any sector or industry”

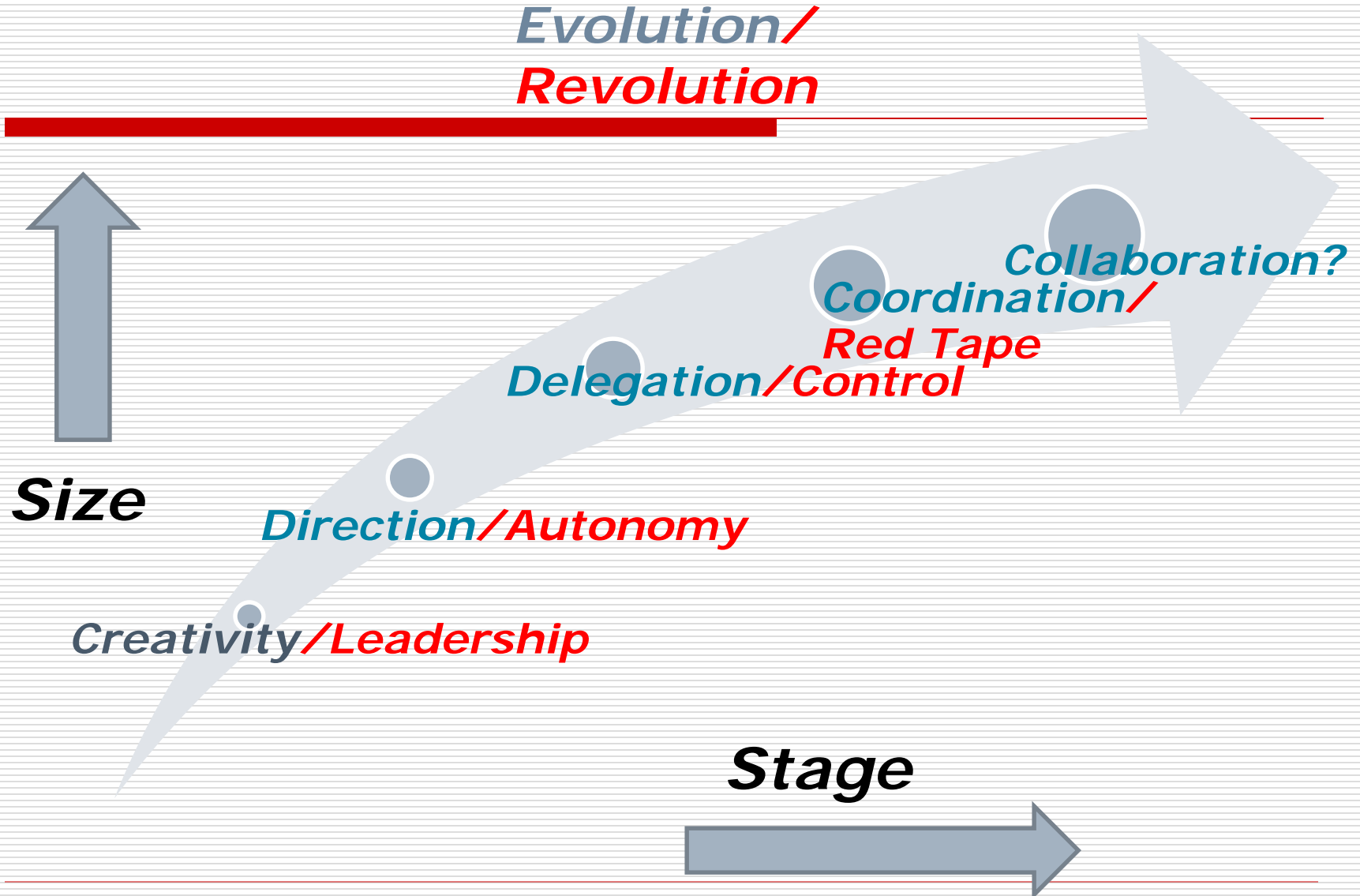
“Evolution & Revolution as Organizations Grow” Greiner, HBS Reprint 98308



- Companies go through multiple stages as growth occurs
 - Each phase begins with a period of **evolution** (steady growth and stability)
 - Each phase ends with **revolution** (turmoil and change)
 - What led to growth then triggers instability

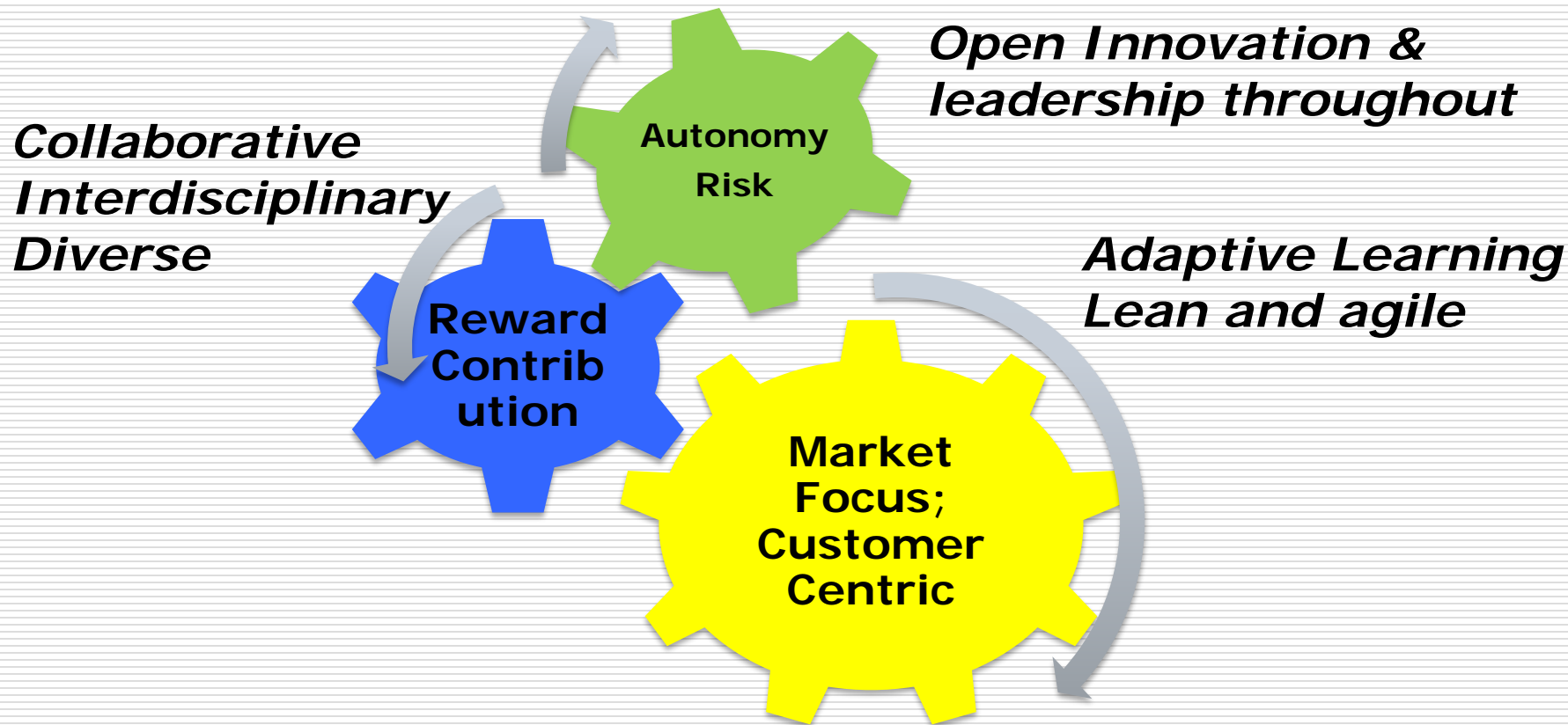


Five Phases of Growth



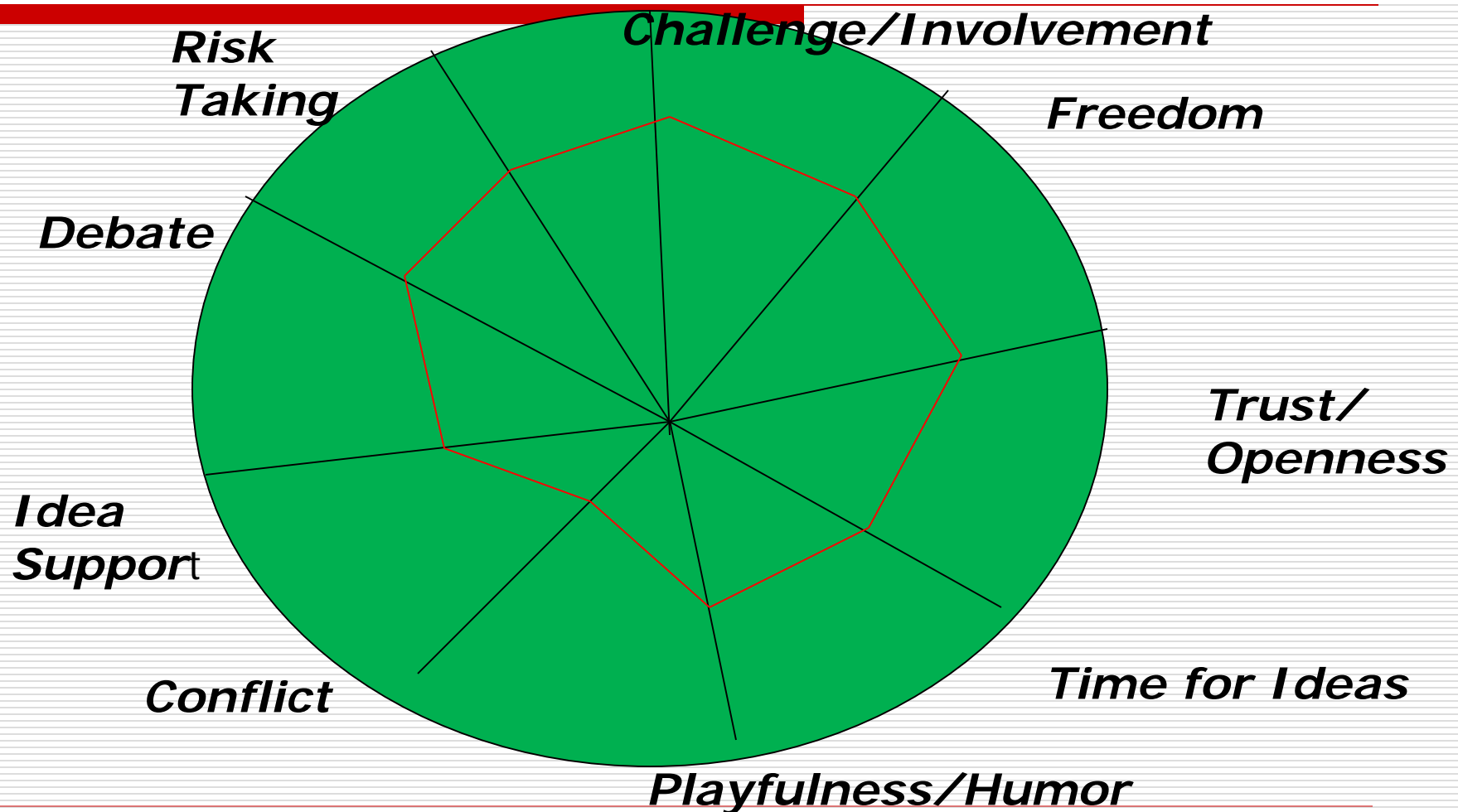
Building an Organization

Include diversity for innovation

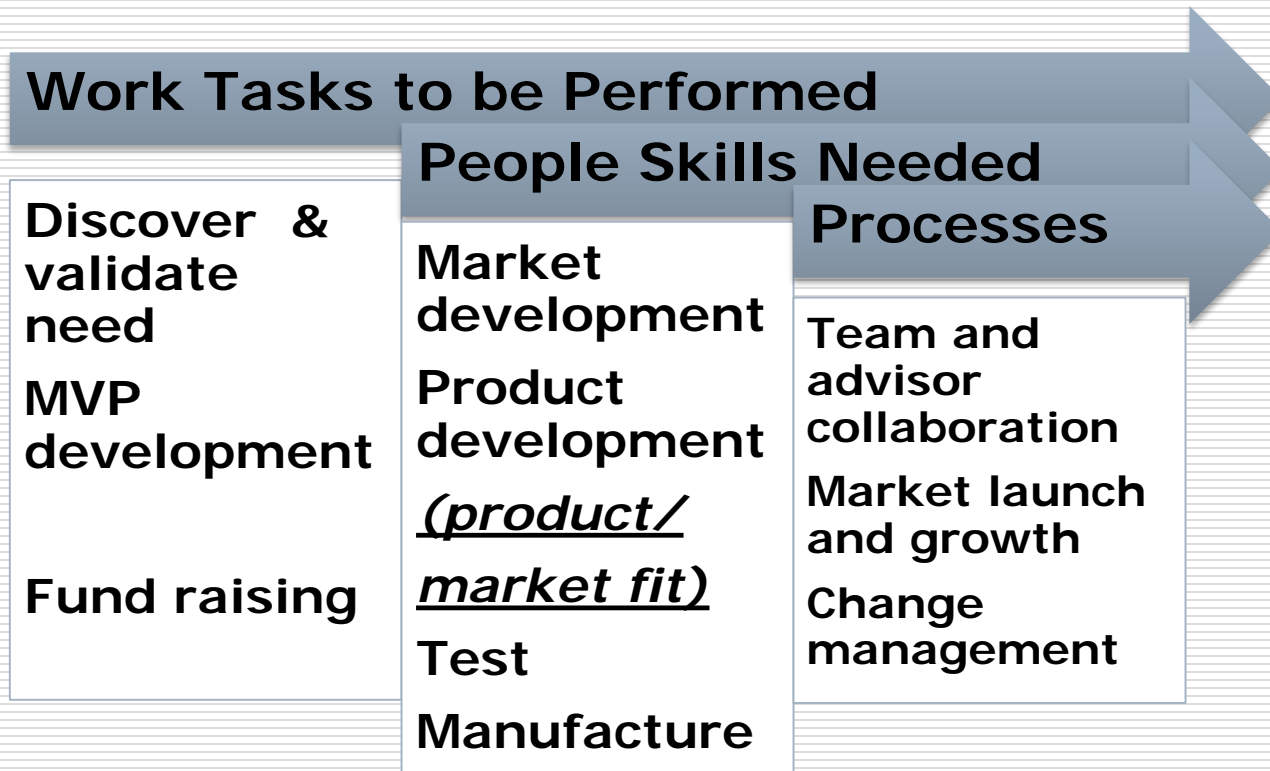


Attributes of an Effective Organization Culture

“How GE Teaches Teams to Lead”, HBR Jan 2009



Key Considerations for Team Building



Startup and Early Stage Teams

- The Team is the most important predictor for company success – tech/biotech/medtech companies!
 - Failure rates attributed to team, market, technology, market?
- The Team is broad, and consists of
 - Founders → 2(3)
 - Then, build out technology, business teams
 - Advisors (for technology, business, legal)
 - Directors (investors and independent)

What do you need from the team?

- Expertise, Networks, Perspective, Diversity
 - Access to people, capital, partners, market/customers
 - Access to counsel and expertise for IP, regulatory, reimbursement
 - Advice, experienced perspective, mentoring/coaching
 - Adherence to plan, changes to plan, fiduciary responsibility

The Three Essentials of an Effective Team

Ref. Jim Billington, HBS U9701A (1997)

- Competence (skill)
- Commitment (will)
- Common goal (fit)

Commitment/Common Goal

- Shared dedication to achievement of specific performance goals
- Shaping a purpose owned by all
- Shared ownership (and rewards)

Team Member Characteristics

- Knowledge/Skills/Experience
 - Market/Industry/Domain specific experience
 - Previous experience in building entrepreneurial companies
- Interpersonal Skills
 - Team oriented; works well with people in cross functional teams → diversity
 - Good communication skills
- Shared value system
 - Can be trusted (also liked and respected)
 - A sense of common purpose and vision
 - Check egos at the door!
 - Good sense of humor

Diversity is Good (Necessary)

- Many skill sets & perspectives will be required to build a successful company
 - Gender, ethnic origins, disciplines, etc.
- Actively manage the diversity – don't leave synergy to chance
 - Don't hire everyone who has similar skill sets and experiences!
 - Hire those who come from “big company” backgrounds – “fit”?

Talent - hiring is the most important thing you do (E. Schmidt & J. Rosenberg, "How Google Works")

- Hire “infected people”
 - Passion and commitment
 - Measure passion thru observation of persistence, grit, absorption
 - Use a peer- based process for hiring “creatives”

- A workforce of great people attracts more great people

Motivating Factors Vary

- Then provide environment where people know that their contributions are valued and rewarded
 - Working conditions, interpersonal relations, compensation, policies, recognition, honest performance evaluation and feedback
 - The challenge of the work itself
 - Ability to make a difference, change the world

Transition to Panel Discussion from “patterns” to practice

- Three Broad Topics
 - Building the Team
 - Building the Culture
 - Leading Change

Building the Team

- Founders + key team (early stage)
 - Part-time members (university ties and conflicts)
 - Balancing science and commercialization
 - Validating the technology/business model – product/market fit
- Building and working with your BOD, SAB, advisors – building your network
- Compensation & Cap Structure Issues, Managing Equity
 - Founders, later key hires - vesting and option pools

Building the Culture

- **Team dynamics, processes and values**
 - Creating and maintaining a productive work environment and company culture that values the mission that matters → skill, will, fit
 - Including diversity from day one as a building block of the culture → associative thinking is an important part of the “Innovator’s DNA”
 - Extending the network to enhance innovation → embrace openness and inclusion (ideas can come from anywhere)

Leading Change

- **Leadership through stages and transitions**
 - Dealing with “Evolution and Revolution”
 - Growing the team, subtracting from the team

 - *“The entrepreneur always searches for change, responds to it and pursues it as an opportunity”
– Peter Drucker*

Framework for Panel

- **Building the team**
 - Founders + key team members
 - Part-time members (university ties and conflicts)
 - Building and working with your BOD and SAB
- **Balancing science vs. commercialization**
 - Role of the CSO/CTO
- **Managing through stages and transitions**
 - “Evolution and revolution”
 - Growing the team, subtracting from the team
- **Team dynamics and process**
 - Creating and maintaining a productive work environment and company culture
- **Compensation Issues and Managing Equity**
 - Founders, later key hires - vesting and option pools