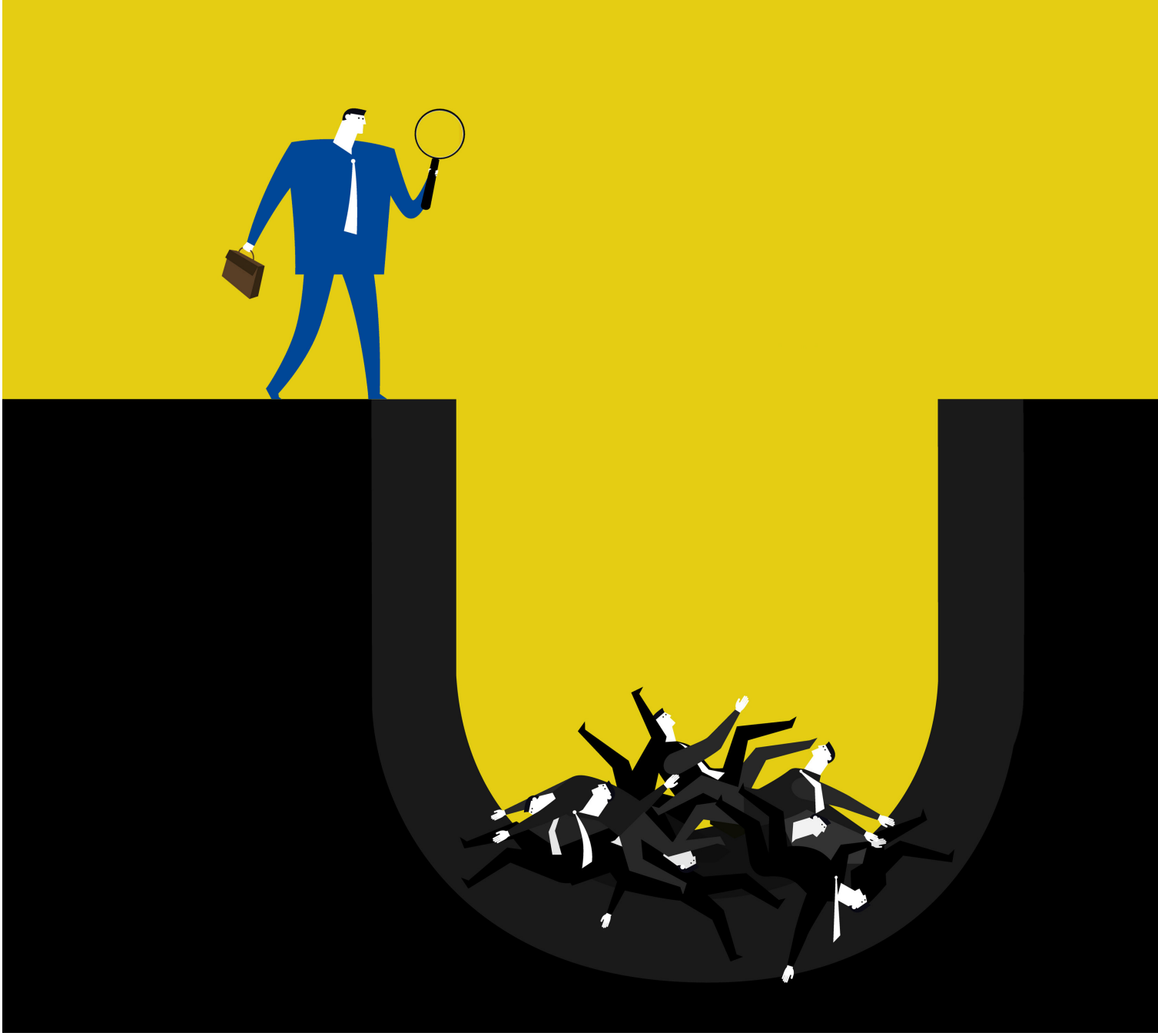

Predictable Pitfalls of Founders and How to Avoid Them

By Alisa Cohn

We have romanticized founders having their "eureka" moments, writing their ideas on the back of a napkin, then holing up in their parents' basement or their dorm room to start their company. While that's mostly a fairy tale, what is certainly on target is that when founders start with a concept for a product or service and start to build a company around it, they often don't think about how they will build the company and add people to achieve their vision. They are, understandably, in a hurry to figure out their product-market fit, to build and ship product, and to get the stage of funding they need. Founders tend to underestimate the importance of managing people, and the result can lead to difficult dynamics that tear at the fabric of their business.

In this article I describe five common founder pitfalls for companies as they grow:

- Hiring friends with no plan for what they will do if things go wrong
- Too much "polite talk" and too little straight talk
- Too much confrontation
- Not clearly defining and then building a strong, healthy culture
- Not setting clear performance metrics

In response to these pitfalls there are four core principles that make a difference:

- Build emotional self-control
- Develop impeccable communication skills
- Develop a strong, healthy culture
- Manage people using performance metrics

Hiring Friends

Founders often hire their friends. And why wouldn't they? A founder is a talented, driven person who is often surrounded by talented, driven friends. These friends have built trust and loyalty over the years—there's nothing like watching someone pulling an all-nighter to test drive and work ethic.

A founder is often young without extensive work experience. Her network is in many ways limited to the people with whom she went to school and/or first worked. It makes sense that she will draw from her known network of friends to build a startup. Trust and rapport goes both ways. When founders start companies, they initially scramble for resources and people. A founder's friends are the people who trust them, who are like-minded, who will work for less than market value, and who will dive into the work with a high degree of intensity and loyalty.

Tension emerges when the company gets a little bigger and more successful—the pace gets faster and the standards higher. The friends—now key employees—may not have the skills or experiences to perform at this increasingly difficult level.

The role has outgrown the friends. The founder can now attract and hire people who have needed experience but may procrastinate because she doesn't know how to have this conversation with her friends. Noam Wasserman, author of *The Founder's Dilemma*[1], has researched what intuitively makes sense: Founders simply have a hard time acknowledging hard truths about their friends and strive to preserve their personal relationship at the expense of the company.

Not acknowledging issues is damaging in multiple ways. It's hard for the friends—they often know they are falling behind but don't know how to improve, don't know how to get help, and don't know who to ask.

The other executives and employees in the company see the limitations of the friends. They start gossiping and become frustrated that the founder is "playing favorites" with her friends. It creates an unhealthy dynamic with a class of people who are "friends" and therefore "untouchable." Nobody knows how to bring this up to the founder; the founder doesn't know how to handle it so the issues linger and get in the way of the company moving forward.

Too Much "Polite Talk"

Often, not being able to have a straight conversation with a friend points to a deeper problem in the company: Too much politeness and not enough straight talk.

I once coached a founder, let's call him Neal, who was passionate, creative, articulate, warm, and funny. His team loved him. And yet each member of his executive team was frustrated with him. Neal put off anything that looked like direct feedback or tough conversations, sometimes for months. At the most extreme, there were times when there was something on his mind and more than a year would go by before he would bring it up to the individual. Some examples of the comments from his 360-degree feedback were: "I wish Neal would be much more direct; he's not going to hurt my feelings and it's easier if he would just say it," and "I often see that Neal is holding on to feedback for either myself or others. It makes me uneasy wondering what he's not telling me."

This habit of Neal's fed a sense of unease amongst the executives as they tried to guess what he wanted. At its worst,

it led to bad outcomes. For example, Neal was very frustrated at the state of data in the company—he and others found so many mistakes that there was a sense that the data couldn't be trusted at all. Since he didn't address this problem with the vice president of data science, the issue continued to linger. The lack of accurate data made product decision-making much slower. As a result, executives created cumbersome workarounds to try to get better information. Ultimately a product release was delayed almost eight months, and a key team member got so frustrated that he quit.

Neal is one example of what I see in many startups. Many startup cultures are so "polite" that the founder/CEO doesn't sit down and talk to executives about their or their teams' performance. They equate being direct with being rude or confrontational. So rather than giving direct feedback or risking uncomfortable conversations, they seethe away in frustration or ignore critical business issues.

Startup CEOs are not alone in their squeamishness about giving feedback and having clear and direct conversations. A recent study[2] showed that almost 70 percent of managers were uncomfortable giving direct feedback to their employees. And if that's true of experienced managers, it is much more likely to be the case with younger, less experienced leaders such as startup founders.

Avoidant CEOs may breed avoidant cultures. Since culture starts at the top, often a startup's executives and employees will mimic this non-confrontational behavior. Although "polite" and "nice" may seem like positive descriptors, when a culture like this develops, it can turn toxic. Executives don't challenge one another, ideas don't get properly vetted, and performance suffers. Executives maintain a polite veneer rather than address difficult and necessary topics. Employees, who know they won't get support from their executives, go around each other rather than address tough trade-offs. Executives don't improve because they lack direct feedback, people and teams aren't held accountable, and a general loss of respect permeates the organization.

As this dynamic plays out, interactions on the surface continue to be happy and polite. But under the surface, employees start gossiping, wondering why nobody is addressing critical topics. This tears at the fabric of the culture and, most importantly, at the organization's confidence in the founder's ability to manage the team and the company.

Too Much Confrontation

The mirror of too much politeness is an environment that is overly combative. Direct feedback and straight talk are great. Confrontation and belligerence does not bring the best out of people. When people don't feel safe at work, they focus on protecting themselves by not speaking up and limiting risk, not on achieving high performance. Simply stated, too much confrontation shuts people down.

A startup is intense. Founders are under unrelenting stress, often experiencing a lot of anxiety. This pressure, combined with inexperience in managing people, can make a competitive founder frustrated when things don't go as expected (which is the usual for startups). The founder may take out her frustrations on her people. And then other executives and employees adopt this destructive behavior. The result is an overly aggressive environment where executives may take pot shots at each other. The founder may become explosive or nit-pick, adding to an increasingly toxic atmosphere.

This kind of behavior creates fear, defensiveness, self-protection, and blame—negative attributes that may permeate the rest of the organization, negatively impacting culture. Ultimately this creates an environment that lacks trust and psychological safety, impeding collaboration and breaking down the company's cohesion.

A few years ago I started working with a founder who grilled his executives and employees every time they came to him with questions. When I gathered 360-degree feedback for him, this comment came up repeatedly. The impact of this "grilling" was that his people did not want to bring problems up to him. "He's not someone you can talk through issues with. So I can get stuck because I can't bring topics to him if I don't know what to do."

The impact of this is obvious: Work slows down and deadlines get missed; people feel they have to defend themselves; they tend to blame others. Then silos spring up, people don't cooperate, and over time people start to leave.

Not Clearly Defining Culture

Great companies build great cultures. When a startup is in the initial stages of refining its product/service, seeking funding, gaining traction, and hiring, the founder doesn't usually prioritize or think about building a healthy culture.

Culture has increasingly become a focus in business media, academics, and amongst the venture community, especially given some of the significant cultural misses in the last year. Founders must increasingly consider culture as another key aspect to be developed and nurtured.

A few years ago I was brought in to coach a founder/CEO in the Bay Area. The company had started to gain traction and success but simultaneously experienced a significant loss of people. After talking to the founder, the executives, and current and former employees, we realized

that the problem was the culture. The founder was intense and direct yet funny and magnetic. People wanted to be around him. He had big ideas and tended to gravitate towards people who also had big ideas.

Some of the issues that came up when I talked to the people around him were his lack of inclusivity. He had his big ideas and a few confidantes who thought like him, and they would make decisions together often over whiskey either in the office or at a local bar. Others didn't have a chance to either weigh in or buy in.

Compounding this, the founder and his inner circle often forgot to let others know what they were thinking, that the plan had changed, and other key directives. This resulted in feelings of confusion, of veering back and forth, and of not being included.

Over time, many employees felt excluded and described themselves as second-class citizens. They felt like they were expected to work very hard, including forgoing vacations, while their contributions as "doers" were devalued compared to the contributions of the "thinkers." People referred to two classes of people when talking about the company's "doers" and "thinkers." A few employees felt that they didn't fit in because they didn't drink as much as the founder and top executives. The class differences and exclusion eliminated the company's "glue," prompting people to leave.

In this case, we diagnosed the issue early enough to fix it. After a few honest conversations with his employees and executives, the founder accepted that he needed to spend time on building a stronger culture. He also recognized that he needed to show people he valued them and communicate clearly what he was thinking. While there is nothing wrong with enjoying some whiskey, the CEO needed to find a better way of including others, making decisions, communicating, and bonding with others.

Retention and morale improved. The company moved faster as people enjoyed working together. Consciously attending to culture, as one would about product, will help improve results and a startup's chances for success.

Not Setting Performance Metrics

In the very early days of a startup, performance metrics don't seem necessary. There are just a handful of committed people who know what needs to be done. Their investors are not demanding. And predicting or measuring output is less critical. "Metrics" seem like large company overkill.

And yet, as a startup grows, not having metrics or using the wrong metrics leads to an inability to measure output and performance. It becomes harder and harder to determine what is working and what needs to be fine-tuned or re-thought. It becomes impossible to measure the performance of each team and to coordinate work between them.

The lack of metrics leads to frustration, especially amongst

executives who are genuinely unsure about their mandates and top priorities. It also leads to a frustrated founder who is being told to hold executives accountable by his board but doesn't know what to hold people accountable for.

A typical example of this is a startup I worked with in the online retail space. When I met the CEO for the first time, we went over how the business was doing. There were many positive signs: Sales had been increasing quarter over quarter and the company had released several improvements to the product over the past year.

But since the CEO had not set targets as a starting point, she had no way of knowing if the progress was ahead or behind expectations. There were no expectations! So when she started having concerns about the vice president of product, she had no way to measure these concerns. What was the executive not delivering that made her uneasy? What agreements about expectations did they have? Without answers to these questions, and with only a vague sense that things should be "moving faster," the CEO didn't have a way to bring up topics of performance. It turned out that this executive was indeed under-performing, but it took several months of us working together to clarify the performance metrics the CEO could use to discuss this with him. Wasted time kills startups.

It's understandable why founders resist setting clear targets as startups are trying something new without any metric history. Many startup founders are not oriented to performance metrics and instead focus on ideas, vision, and people. And, once a CEO works with the team to set metrics, she will have to hold herself and the team accountable, which can be uncomfortable.

So yes, there are risks. Founders should be mindful of these pitfalls as they build their companies.

Developing Foundational Leadership Skills

The pace and press of startup life may lead founders to succumb to each of the above pitfalls as they build their companies. Learning techniques to calm down helps, but intentional leadership is critical. Here are four core principles founders can develop to form a rock-solid foundation for their leadership.

1. Build emotional self-control. Emotional self-control is the ability to manage disruptive emotions. Being able to recognize and deal with emotions is one of the core elements of emotional intelligence, and one of the most important tools for founders to master to ensure healthy dynamics at work.

Upsetting, frustrating, and surprising things happen at work every day: Customers go to a competitor, a valued employee quits, disagreements among cofounders occur. Great things happen every day, too: Landing a new customer, making a key hire, signing a term sheet. Building emotional self-control is the baseline for founders to protect themselves amid the ups and downs. It helps them make good decisions and drive healthy dynamics among the executives and the rest of the team.

Study after study points to the ability to manage emotions as a major driver of better business outcomes. Two tools to help founders develop emotional self-control:

a. Be aware of the warning signs that you are getting triggered. You may feel heat in your chest, a tingling sensation in your fingers, or plenty of other symptoms. Know yourself well enough to know your own markers. It's much easier to stay calm and rational when you "talk yourself down" before you escalate.
b. Count to ten. This cliché works as it gives you a moment to slow down, interrupt yourself, and choose a response rather than have a reaction.

2. Develop impeccable communication skills. Communication skills go far beyond writing clear emails, being understood, or being great at public speaking. Great communication skills are more sophisticated. They include:

- Recognizing how the other person or group will hear your message and being able to tailor that message to your audience.
- Being able to raise difficult or awkward topics in a calm, measured way.
- Recognizing the difference between facts, observations, and judgments.
- Listening to what is being said, how it is being said, and what is not being said.

Having impeccable communication skills allows founders to address issues quickly, directly, and in a way that fosters healthy dynamics rather than allow problems to fester. Impeccable communication skills allow founders to:

- Have clear conversations with friends, cofounders, and original employees throughout their and the company's lifecycle. Be direct about the scope of the role, role changes, and the possibility that they are no longer a fit for the company.
- Give productive, specific, clear, and actionable feedback to executives and employees.
- Hold people accountable without blaming them or making them defensive.
- Tell people when you need to bring in someone more senior to be their manager and without making them feel demoted.
- When the company needs to lay off people or fire them decisively, look for ways to do so without burning bridges.

Being able to do these things and more will save a lot of time and allow founders to focus on company building rather than clearing up unhealthy dynamics.

3. Build a strong healthy culture. Founders should take culture seriously and plan to build a strong, healthy culture from day one. This may seem like a luxury, but it's one of the most practical tools founders have to get the most out of employees.

Building culture intentionally creates an environment that people can enjoy. It's nice to have perks like lunch and snacks and Friday afternoon happy hours. People do recognize that as part of the culture, but these are simply perks and NOT culture. People will stay long-term, be committed, and be motivated through deeper cultural attributes, such as:

- An articulated set of core values that the founders

and employees live, talk about, and use as a template for working, engaging one another hiring, etc.

- A clear vision that is communicated and allows people to see how they fit in.
- Purpose and meaning that arises out of the mission of the company as well as the values and the vision.
- A community at work that enjoys working together and gives a sense of psychological safety.

There are many articles written about how to establish a great culture. A good place to start is to think about, and ask employees, what they love about the company. What makes it distinctive? What would they most miss about it? Take those inputs and ask yourself what core values those elements point to. Values are the starting point of culture.

Once you have defined your values, you have a template to use for hiring. Intentionally hire people consistent with your culture. Reward and recognize these value-based behaviors so they become embedded in your company's culture.

4. Manage people using performance metrics. When executives have performance targets to strive for, it focuses their efforts. Performance metrics allow founders to measure a person, team, and department through objective criteria, allowing leaders to have productive performance conversations. Effectively communicating performance goals to functional areas ensures that everyone knows what is expected of them, allowing people to work in sync, while also providing a means of measuring progress.

One closing thought: My experience as an executive coach to founders and startup teams has given me an inside view into the leadership attributes that give startups the best possible chance of succeeding. I'm also an angel investor; I look for these attributes when making decisions about which companies to invest in. Leadership and culture are essential to startup success. I choose to invest in founders who seriously attend to their own leadership and the culture they create.

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