Building the Team

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Building the team

- The Idea (as pitch)
- The Problem (& Solution)
- The Business Assumptions
- The Technology Assumptions
- The Market Assumptions
- The Deliverables
- The Team
- The Milestones
- The Investment
- The Summary & Next Steps
Building the team

What do you need?

– A management team
– Advisory Board(s)
– Board of Directors
First, build an Advisory Board

These people will be critical in helping you understand what to do, who can do it, and where to find them.

Advisors entail less commitment, and their value changes as you learn more about your venture.

Don’t promise money or equity to advisors *until* you (and they) know they’re valuable. Then do.
The roles of the Advisory Board

Four forms of capital:

– Financial capital (money)
– physical capital (lab space, equipment)
– intellectual capital (know-how)
– social capital (know-who)

Your advisors should be contributing at least 1 (and ideally 2) forms of capital...
Building the Management Team

How can you find the right people?
Where should you look?
What do you want?
Finding the right people

Sketch out what you need

– refer to your due diligence exercises: what are your priorities for year 1?

– What experiences and skills do you need to accomplish those priorities?
Write a Job Description

What is the opportunity?
– Why is your company exciting and worth the risk?

What are the responsibilities?
– What will the person do every day?

What characteristics are you seeking?
– What skills and personality traits will lead to success?

What is the compensation?
– Show that you are at least thinking about them...

How do candidates apply?
...then write a Performance Review

What are the responsibilities?
  – What will the person do every day?

What do you need accomplished?
  – Be explicit.

How will you measure those accomplishments?
  – Be specific.

What resources do they have (or need) to achieve?

You’re not hiring another faculty member
On hiring people

What happens if you get it right?
What happens if you get it wrong?
"Only the Best"

Always raise the bar

- Hire people who are smarter and more capable than you, and make sure all your employees do the same
- As a company grows, early employees should find themselves thinking "wow, if I interviewed today, I would never get a job here"

Heed Jack Welch:

- "A players hire other A players. B players hire C players, and C players put you out of business."

Make it your mission

- In a business driven by IP, people are your #1 asset
"Fire the Rest"

When an employee is not right for your company, be decisive

– If you let the situation fester, the bad employee will create growing problems in your company
– Founders typically say that letting problem employees stay too long is their #1 regret

Here's how to stay out of trouble:

– Structure all jobs "at will" (no employment contracts!)
– Vest all options over 4 years, with a 1 year cliff
– Document non-performance and provide feedback
– Be especially careful with "protected classes"
Seek Goal Alignment

Hire those who are in a position to take risk
  – Strike a balance between "young and talented" and "experienced and expensive"

Emphasize upside, not cash compensation
  – If an employee doesn't believe in the future value of the business, they are not right for a startup
  – Be very careful with prospective employees who have never worked in a small company environment

Employee review process is key
  – The company needs to meet the employee half way, providing tasks that help the employee meet goals
Equity 101

How to split equity between founders
- Have an explicit conversation up front, don't let assumptions "fester"
- What counts as a contribution?

Stock options: ISOs vs Non-quals
- How to set an option pool
- How to offer stock options to employees
- What is vesting? Why should you do it?
- How much to award to each employee

Always consult your board first
Some comments on interviewing.

1. Don’t trust your gut.

2. Write out the questions in advance (and base them on your job description)

3. Make the phone calls (see #1).
How to Interview

Don't limit yourself to one interview style
  – Get other employees and/or advisors involved
  – Divide and conquer: don’t all ask the same questions and burn out the candidate

Use four types of interviews:
  – The "due diligence" interview
  – The "horsepower" interview
  – The "culture fit" interview
  – The "exercise" interview

Don't be afraid to be tough and analytical
How to Interview

The "due diligence" interview

- Tests whether the candidate is honest and actually has the experience claimed by his or her resume

- The resume itself is the #1 tool in this style of interview

- Ask questions that test direct knowledge of claims and probe for additional detail when relevant:

  "So, it says here that you managed a marketing budget of $10M while you were at Interactive Corp—how did you spend the budget? What types of spend produced the best results for your project?"
How to Interview

The "horsepower" interview

- Tests raw intelligence, skills, creativity, and confidence

- Outside the box questions that might scare a weak prospect are the best tool in this style of interview, where you are trying to learn not just what she thinks, but also how she thinks

- Ask brain-teasers, creativity questions and case studies:

  "So, why do you think that Microsoft beat Netscape in the browser wars?"
How to Interview

The "culture fit" interview

– Tests whether a candidate can handle the rigors of a startup and fit with the culture you are creating

– Use multiple interviewers and a mix of professional and social settings to get a real picture of what the candidate is really like (take your time…)

– Have peers and subordinates conduct interviews too, because the candidate will always be kissing your ass if you are the founder—find out who has two faces!

"So, how miserable are you going to make my life if our CEO hires you to be my new boss?"
How to Interview

The "exercise" interview

– Tests whether a candidate can actually do the job

– Give the candidate a real exercise that tests (a) whether he is willing to put some actual work in to get the job and (b) whether the domain competence is really there

– Get some work done for free:

"So, here's a drawing of a web page we're going to build. Can you please create a working html mock up for us in the next 90 minutes?"
How Not to Interview

**Beware Title 7!**

- Never ask questions about age, gender, race, sexual orientation, marital status, family life, disabilities, etc.

- If a candidate volunteers information on a taboo subject, proceed carefully and ask open-ended questions (ie, *"tell me more about that, please"*)

- You are allowed to discriminate based on ability to do the job—make that the only way you ever discriminate
Personal References

*Always* do reference checks, even if a recruiter is doing checks, too

The people should get glowing reviews

- Because bad employees will sue for defamation, bad references rarely come to light

If the people are good, can you learn anything from a reference?

- “How will they behave when things go bad?”

Always ask open-ended questions

- "Is there anything else I should know?"