Soft Skills are Smart Skills

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Executive Summary

Soft skills like leadership, decision-making, conflict resolution, negotiation, communication, creativity and presentation skills are essential for entrepreneurial success and for maximizing human capital in any enterprise. When balanced with a good management team and an effective human resource management system, soft skills provide a way to get the highest return on the investment in terms of human capital. While professional skills may open the door of opportunity, soft skills keep you in the driver's seat. We offer our Top 10 list of items that an entrepreneur should focus on and some suggested competencies.

Preparation

Planning a venture is like mapping a route before a long trip -- beware of the consequences of decisions you make about your destination, with whom you are traveling, and how you will get there. A quality business plan is the roadmap to success. Starting the venture is like initiating the journey that you have been dreaming about for a long time. Focus on hiring the right people with the right skill-set (and passion). Strive to create a culture of teamwork and commitment coupled with high quality execution, which will allow you to reach the destination safely and successfully.

Imagine this to be a long trip on water. You and your executive team are the crew, your business plan is your map of the turbulent ocean, which is the market place, and the ship is your organizational system optimized for your journey as well as for getting the best out of your talent. Your executive team needs to be top notch with experience and expertise in operating your ship. It is very likely that at least some of them have been on this journey before with knowledge of how to deal with unexpected changes in weather, hurricanes and, of course, potential mutinies on the ship. Your engineers (crew) have experience with your system (ship)--- software, approach, and equipment. They need to have the tools and training to navigate it (Java or dot NET or other software tools if you are building an internet software company), and have expertise to fix unexpected problems that are bound to come up while you are in the ocean.

Your plans must include food for the crew e.g. rewards and recognition, stock-option plans, and road map to first release of your product/service. It must also include enough fuel for the ship to last until your next port/dock e.g. money to pay for salaries and equipment till the next round of funding. If the crewmembers do not trust one another or do not cooperate, then the culture on the ship is unstable and you may never reach your next port, let alone, the destination.

If you have holes in the ship above the waterline, don't worry: they can be fixed without interrupting the journey and without any issues. Technical and professional skills of the people in your venture are generally like holes in the hull above the waterline. You can develop them or find new people with those skills. The lack of 'soft skills' is much like holes below the waterline. If you have these holes, then it can be a serious problem. Some holes (like communication skills, leadership skills) can be fixed from inside and if they are not significant enough, you can reach port safely and then undertake the repairs to the ship. Other kind of holes under the waterline (lack of values and ethics, insufficient focus on quality and delivery) will sink you surely and steadily.

While various professional and technical skills/competencies are essential to make the entrepreneurial venture successful, this article addresses the three key issues that make or break your company. They are your executive team, your talent management system (HR systems, culture, hiring, retaining, motivating and knowledge transfer processes etc.), and soft skills (leadership, decision making, conflict resolution, negotiation, communication, creativity and presentation skills).

While gasoline fuels the ship and money fuels a financial institution, Human capital fuels the entrepreneurial venture. There are three main components to what SelfCorp calls the "human capital triangle." *The right people, the right skills and right management system constitute the three corners of this triangle.* Maximizing human capital requires the right balance between the executive team and development of appropriate skill-sets with proper talent management systems and culture.

Numerous studies have shown that the vast majority of projects, which focus on systems development and deployment in big organizations, are late, over-budget, or cancelled. These studies have also shown that the underlying causes of project failures are rarely technical (idea related). Most project failures can be attributed to breakdowns in communication between executives and the talent, teams, and project managers. When the talent management system, including executive teams and skill sets (technical, professional and soft skills), are not balanced and optimized, then financial capital and human capital do not pay the returns for which one hopes.

Many entrepreneurial ventures fail even though they have great ideas and great talent because they lack the appropriate structures and processes to move forward. In addition, when the focus is too much on 'hard technical skills,' the dynamics in the workplace become difficult to manage and many companies never see their first anniversary because they lack soft skills.

In our work with many startups and Fortune 100 companies, we have seen that failure to balance and maximize the human capital triangle can make or break them. When the right team is not in place at the top of the hierarchy, decision-making suffers. When you don't make right decisions at the right time, markets can change and competition grows in ways unexpected. When the HR systems are not optimized, people may not get paid. Without soft skills poor decisions are made, negotiations go poorly, communication lacks passion, and leadership withers away fairly quickly. We address soft skills in this chapter while the executive team and talent management issues are addressed in the sections that follow in this chapter.

Nearly one-quarter of executives in high-tech positions are "in trouble" due to poor people skills, says Hagberg Consulting Group, a management consulting firm. According to Greg Netland, president of the IT division at New Boston Systems, "about 70% of managers we do business with feel soft skills are more important than they were five years ago." Technical skills get you in the door, but soft skills keep you in the job. Companies sink or swim based on soft skills regardless whether their technologies keep them afloat temporarily. Great technology and mediocre management leads to sure failure!

Leadership is the key. According to Fortune's Most Admired Companies in 1998, "the truth is that no one factor makes a company admirable, but if you were forced to pick the one that makes the most difference, you'd pick Leadership." Leadership is one of the key soft skills along with communication, creativity, learning and teamwork.

Soft Skills contribute to:	
Leading People	Leading a team, leading yourself, conflict management, interviewing and selecting new members, delegation, coaching, networking, developing others
Managing Activities	Product quality, workplace safety, customer care, fund raising
Managing Resources	People, finances
Managing Information	Decision making, problem solving, meeting management, persuasion, presentation skills

Table 1. Value of Soft Skills

Soft skills are the keystones to success. You might be surprised at how many managers and CEOs do not consider soft-skills as necessary to making a critical difference in a company's success. They contribute to leading people in an effective manner. The term "people" includes yourself as well as your teams. Leadership involves managing conflicts, interviewing and selecting prospective team members, delegating responsibility and authority, coaching, networking, and developing others. As a leader you must also manage activities like production quality, workplace safety, customer care, and fund raising. A leader is also responsible for managing resources like people and finances and information in the form of decision-making, problem solving, meeting management, and persuasion. Many of these require presentation skills. In other words, good leadership presupposes refined 'soft skills.'

Based on our experience with both startups and Fortune 100 companies we have come up with a Top 10 list of indicators that you might want to keep in mind while building your enterprise. At the end of that list, we will give you six steps that increase your effectiveness in the area of soft skills.

Top 10 list for Entrepreneurs

As we embark on examination of these ten factors, it is beneficial to reflect on the words of Dr. Chatterjee, the financier and industrialist who worked with Soros Management Fund and is currently head of the Chatterjee Group, (from the anecdotes section on Building the Management Team): "the biggest risk in the venture business is whether the team will gel or not. Every facet of a venture is analyzable except this." He commented that "effective management teams are rarely found intact" and that "more often they are made through an extended process. This process contains integration, adjustment of roles and agendas, and assimilation of various resources as the business evolves. The anecdote about the Brocade User Group concluded with this remark: "new thinking" about management "begins with creation of value-generating relationships and cohesive understanding between entrepreneurs/founders, investors/VCs, and executive management." Selecting team members, establishing value- generating relationships that eventually gel into a functional team –innovation ecosystem-- requires the competent application of the Soft Skills we will consider below.

Some of the skills relate to attitudes, while others are processes, and still others relate to awareness. Similar skills will be grouped together. The order of presentation does not imply importance. Table 2 summarizes the discussion emphasizing how the soft skills relate to leadership as well as the other talent within the enterprise.

Soft Skills Table

Soft skills	What the Leaders do	What Others get
Humility and Self-confidence	The ability to allow others to contribute to the vision while maintaining confidence that the vision is well-founded	The ability to contribute to the vision in order to generate a sense of ownership.
Emotional Intelligence (EQ)	Sensitivity to the emotional aspects of life and how personal attitudes and expressions influence company success & personal satisfaction	A personal sense of "feeling good" at work (and at home) that can assist in managing the stress of being an entrepreneur.
Build on Strengths & Minding your Core Incompetence ©	Focus on using personal strengths enhances the ability to see them in others. This can reinforce the delegation of tasks to those who can do them better.	Working in an area of strength builds self-efficacy, self-esteem, job satisfaction and loyalty. Who wants to leave such rewards?
Integrity in Speech & Action	Awareness of the knowing-doing gap enhances the opportunity for integrity. The goal becomes doing what should be done when it should be done.	Trust and security grow in an environment where integrity is the goal. Surprises in this context are pleasant and excitedly anticipated
Sensitivity to Context	Awareness of what should be said, to whom, and when are matters of strategy and responsibility – not emotion	Hearing/knowing information intended to be confidential can lead to insecurity, mistrust, decrease in morale, and leaks to competitors

Managing Perceptions	Understanding that perception is reality by virtue of its ability to create reality. What you say and do is critical.	The perception of success extends beyond personal contribution to the product or service. The image of success is created by all members of the enterprise, not just the leadership
Appreciation for others' roles	Recognition that the function of others is critical to success and that the pride of success is magnified by the organized cooperation of many	Recognition for good performance enhances the perception of self-efficacy as well as pride
Teamwork is Key	Recognizing that others are not merely extensions or duplications of your mind and body parts. The enterprise is the composite of many hearts, hands, and minds. The distribution of profits reflects your understanding of this principle	Personal satisfaction from individual and unique contribution to the outcome. Satisfaction and pride resulting from the share of the profits reflecting your true contribution.
Focus on Outcomes and Process	Weighing progress by process and product rather than personal investment	The security of knowing what is expected and that some amount of failure is expected relative to pursuit of excellence
Continuous Learning	Competent leadership requires continuous learning. When growth stops – decline begins	Boredom is not satisfying. The lack of new learning can be felt as status quo replaces innovation.

Focus on Humility and Self Confidence

Humility is looking at life from different perspectives (not just from your own); it will allow you to see what others cannot. Humility gives you a perspective to do what needs to be done to make your venture successful. Arrogance can blind you. When you see yourself superior to other founders, smarter than your employees and directors, more savvy than VCs, and more capable than professional executives you and your company lose. It is that simple.

In the conceptual and development stages of the company, you should balance humility with self-confidence (not arrogance). Listen to criticisms of your ideas and plan with openness but don't lose your confidence. Don't show-off or have an attitude of 'holier than thou' or 'smarter than you' because that puts prospective partners (who could be customers, VCs, collaborators, employees) off. It doesn't build your future or create good 'buzz' about you and your ecosystem. To partner with others, who have different set of skills than you do, and to hire and manage people better than you, you need to have a healthy sense of confidence in yourself. You must find the right balance between inner-strength and outward humility combined with a genuine sense of leading a whole team and not advancing one's isolated, personal gains.

When you get to the execution and growth stages of your company, humility will keep you in the loop. It is important for you to be able to listen to VCs, professional managers and directors with appropriate self-confidence and knowing where you can make the most contribution to the growth of the company. Much of what has been mentioned about humility corresponds with the advice for Founders given in the following chapter in this section: Building the Management Team.

Jim Collins became well known as an author when he first partnered with Jerry Porras to publish the book Built to Last. It described characteristics of companies that are built to last a long time. He put 1,435 good companies through a rigorous performance analysis and discovered only 11 became great companies. In his best selling 2001 book Good to Great, Jim Collins introduces a concept called 'Level 5 leadership' and it refers to the top of a five level hierarchy of leadership characteristics. A Level 5 Leader is person who embodies a paradoxical mix of humility and professional will. "The most effective leaders of companies in transition are the quiet, unassuming people whose inner wiring is such that the worst circumstances bring out their best," Collins says in an interview with Art Kleiner published in Strategy and Business journal in Jan. 2002. "They're unflappable; they're ready to die if they have to. But you can trust that, when bad things are happening, they will become clearheaded and focused." *Are you a level 5 leader committed to make your enterprise successful without having to be in the limelight?*

IQ may get you the job but EQ lets you keep it!

Intelligence Quotient (IQ), representing logico-mathematical intelligence, may get the company started: EQ i.e. Emotional Quotient is essential for it to become successful. IQ points to 'what need to get done,' and EQ addresses the context sensitivity and helps you come up with right process -- 'when' and 'how' -- to get things done. At every stage of your company's development, your EQ makes or breaks its development and growth. Emotional intelligence competencies include self-awareness, self-control, team-focus, influencing others, and building relationships. These are especially important in the pre-launch phase of a new venture when you are making many sacrifices and commitments. Commitment is one of the factors critical to a venture's success. This commitment must come from all stakeholders: yourself, your spouse and family, and the friends and relatives who will be directly or indirectly connected with your venture. Keep in mind that your family/friends will be making sacrifices in addition to you, as you focus more and more time on your company with less time for them.

Self-awareness begins with being in touch with your strengths (and weaknesses), knowing the role that you are expected to play (and knowing that you are not your role), your style of communication and management (the effectiveness of it and how others perceive it), the context in which you assert yourself and the context in which you listen and your own intentions and expectations of yourself and others (stated and unstated). Self-control has to do with the following: learning how to present yourself; when to focus on your strengths (and assert your point of view) and when to be quiet and listen (even if you are right); when to 'pull people up' (just focusing on their tasks and making sure that you respect who they are); and when to let go allowing others to make their own mistakes (developing their leadership capabilities). Self-control means having a priority in terms of what needs to be done and when. It is not running the company in the initial stages as a dictator or know-it-all or competing for control with your executives in later stages rather than supporting them. Most importantly, it is about controlling your passion as well as anger, outbursts and frustrations in public. It is important to remember that what makes you passionate can also make you and others frustrated unless you practice self-control.

Focus on the team accomplishments and capabilities instead of your own, particularly if you want to build a successful company that keeps growing long after you leave. Be generous and timely in rewarding others and acknowledging their contribution. Acknowledge and appreciate people in public and criticize and identify their mistakes in private. Spread the credit around for successes of your company and don't hog the credit. Don't look for others to acknowledge you because they may be busy looking for appreciation from you. Regardless of your status within the company, learn to lead by setting an example of humility and cooperation. Focus on influencing others through modeling and practicing what you preach. Particularly in startups, people do what you do instead of what you say. Because of the natural insecurity inherent in a startup arena, words spread quickly among your company for lapses in your commitments. Focus on relationships instead of specific issues that you disagree with.

Many entrepreneurs are let go in growth phase of their start-ups because they lack EQ and do not know how to grow with a fast growing company. Many times egos and attachments get in the way of success for themselves as well as their companies. For some, it is appropriate, but for others, it is painful; they never grow out of that sense of 'betrayal' and develop social awareness and EQ to create another successful company.

Build on Your Strengths and Mind Your "Core Incompetence"

In general, focus on your strengths and negotiate your role in the organization based on those strengths. There is, however, another critical element that impacts your success: Core Incompetence. The concept of Core Incompetence was to describe that aspect in each individual that interferes with accomplishing goals. It is the place where your foot is nailed to the floor.

In the early developmental stages of your venture, you might have to wear different hats to get the job done, but never assume that you can do all those jobs well. A Company is never the work of a single individual. As the company grows, you will give away additional responsibilities to people with right set of skills and focus on making a contribution based on your core strength.

As the company grows, what worked before might not work any longer. An appropriate CEO in the startup phase might not be the right person to lead the company when it is ready to go IPO. As the environment changes you might have to search for new ways to use your strengths. Get a mentor, consultant, or coach and work to assist in this process. Identify the core competencies of your company and focus on strengthening them. Pick one that you are strong in and build the company based on that strength first. Let them help you to gain a perspective on a regular basis. You should also use your coach to help you see how your Core Incompetence is at work in your venture. Understanding what energizes you and taps into your passion can provide fuel for your journey. Clearly seeing your Core Incompetence will free you to move toward your goals. Losing sight of your passion might require that you take a break for reflection.

In these days of turbulence, everybody wants to grow rapidly and become number one or two in their markets. Many times, they go through the path of mergers and acquisitions. Unfortunately, over 70% of mergers failed in achieving their stated objectives whether they are economies of scale or people or higher market share. Why? When you combine two companies with very different core competencies and strengths

and cultures, many of the strengths that existed prior to the merger are lost. They merged in the first place because they wanted to strengthen their weakest area and not because they wanted to build on their strength! Daimler-Chrysler is one well-known example.

Discover your core strength if you have not already done so. When one does strength-analysis for companies they look for the companies' essence. What are some things that your company can do without any new thinking or radical sea change in conceptual organization? What are some areas you excel with very limited resources? Once we understand what drives your company, what your mission and vision are, what evokes passion and commitment in your company, then we can return with your company DNA map that integrates your cultural uniqueness. Based on your DNA map, you can identify branding possibilities, tag lines and unique opportunities that you alone can fill exceptionally well.

Finally pay repeated attention to your core incompetence. Do you know where your foot is nailed to the floor? What kind of mistakes you keep repeating no matter what the context is? If you don't know what it is, or if you think you don't have any core incompetencies, you are in more trouble than you know. Ask around and find out where you are stuck. By becoming aware of this significant weakness and paying attention to it, you can remove your biggest obstacle to your success: you!

Walk the talk

Just because you know a lot about cars does not mean you can either design or fix them as well. You might be an expert food critic and that does not make you a great cook. Paul Saffo, a director at the Institute for the Future, says that seeing the next peak clearly does not mean that you can get to that next peak with ease. Be aware of your capabilities and be honest with yourself about them. Be cognizant of your knowing-doing gap. This does not mean that you do not practice what you know in a rigid way; it means that your performance level is not matching your words in a consistent and coherent manner. If what you say is important, then your actions should reflect that. If staying on course is critical, then your navigation should reflect it. Sailing a zigzag course is not the same as employing tacking maneuvers in order to harness the wind's power. The first reflects a lack of purpose; whereas the second is a tactical plan for reaching a destination or goal.

Leaders need to model the attitudes and behaviors they expect others to display. Speaking and acting consistently allow others to learn from your example. Shooting from the hip by making promises with an expectation of performance works in the initial days of your company because it is that vision that others buy into either to join you or invest in your company. Over time, they recognize the difference between empty, rhetorical motivational drivers and strategic motivation primers, which lead to concrete execution. At some point, however, processes and agreements with people, who can deliver on your promises, will be essential. In fact working with contracts, deliverables, clear promises and objectives are recommended from the beginning: this way you don't get into legal difficulties because you are not able to deliver on your promises. This kind of knowing-doing gap can show up in others who work for you too.

Pay attention to cultural differences in this area. Some cultures might not say 'no' because they are trying to save face, but in reality they have no genuine commitment on delivering what they were told to deliver. You have to learn to read the body language

and validate your understanding by asking a series of yes/no questions if necessary. Bridging the knowing-doing gap is important and an essential skill that every entrepreneur could benefit from because it is so pervasive and difficult to overcome. Without it though, you will lose your credibility. Dead reckoning works for the sailor who can clearly see his destination and knows the waters in which he sails. Otherwise, it is risky business.

Efficiency is not effectiveness. Reconfiguring the deck chairs on the Titanic might improve efficient use of the space, but it is not an effective solution to the problem of a gaping hole below the waterline. Often times, in early phases of their venture, some entrepreneurs make promises, which they have no intention of keeping. In other situations, they have every intention of keeping their promise, but do not have any resources. They hope by the time they have to keep their word, the situation would have improved. Making promises might be an efficient way to get passed an immediate sticking point; it moves things along. However, it might not be an effective strategy in the long run. When you make promises, or when your company makes promises, it is important to keep them. Therefore, limit promises to ones that can be reasonably met. If they are inappropriate, then whatever potential efficiencies they might have offered at one time are outweighed by the loss of effectiveness.

Contracts can be effective and efficient mechanisms for codifying relationships. Regardless of the legal ramifications of a contract, it is only as good as the parties involved. Assumptions about integrity, rules, regulations, outcomes, etc. can lead to problems when it comes to putting things into action. The contract creates a place to come together when interpreting what was said and what is being done. Despite the language of the contract, observations of leadership behavior will have a strong influence on the perception of integrity within the enterprise and the real meaning of the contract.

This kind of gap shows up a lot in sales, customer service and product advertisement issues. Many times what you buy is not what you are promised. What you bought does not work as promised. Once the customer loses trust, the customer exits to your competitor. Especially when the customer acquisition costs are high, it is smart to keep current customers by delivering what you promised.

Be sensitive to context - timing is everything

There is time for daring and time for caution. The wise entrepreneur knows the difference. Leading people is different than managing people. Encouraging risk taking is different than exploring possibilities. Knowing the difference in styles of communication and the context in which you can present them can make the difference between success and failure.

Marcia Hooper, General Partner, Advent International, considers timely communications to be the most important trait in a start up especially when building trust in the management team. Saying the right things at the right time with clarity as well as exposing complex issues in simple, basic, and compelling ways are traits of great CEOs.

Considering another perspective on context sensitivity and timing, remember that you may find prospective employees, investors and directors from your social circle in the initial days of your company. Poor jokes, inappropriate comments during parties,

insensitivity to other people from your ethnic or religious background could create a negative buzz about you in the circles in which you move.

What needs to be discussed in the boardroom should not be discussed in the hallways and vice versa. Appropriateness in terms of content, confidentiality and courtesy are critical to success. Honesty and transparency do not mean you should tell everything to everybody. Confidentiality in HR, business leadership, and partnership matters is critical. Often new entrepreneurs do not pay enough attention to these soft issues. Friendship and social etiquette might require one thing, and entrepreneurship might require something entirely different. Watch for the following signs: berating others in front of others, not delegating, and not trusting others' input. Deal making with Japanese might happen over sake. Negotiations with Europeans might take place on golf courses or cigar bars. Knowledge and awareness of context, culture and custom can fill your sails on the voyage to success.

Recently, we met an entrepreneur who, in the excitement of the prospect of a term-sheet discussed the information that was considered confidential to a VC partner during a dinner after they agreed to fund the company but had yet to give a term sheet. The VC decided to pull out of the deal at the last minute and used that confidential information as the basis for that decision. Ultimately, the company went under because the market had been tough and he could not find a lead investor.

Manage Perceptions

Perception *is* reality in that people generally act upon their perceptions. That action is very real. If you don't learn to manage how others perceive you, your future can be seriously limited. When you are one of the founders, people watch what you do more than what you say. Make your public speech consistent with your private behavior in your home, with friends, and in social circles. Argyris identifies differences between what is said and what is done as *espoused theories* (what we say) and *theories-in-use* (what we actually do). Lack of awareness of gaps between these two can lead to major conflicts. They create perceptions in others that we may not be who we say we are. Losing the confidence of others can mean losing everything.

There are a number of roles people play within the team or organization. Each role has a function. Failing to take a person's role into account can create a faulty perception about his or her behavior, which can then be amplified by your misguided response to your perception. Successful leaders must be sensitive to their own judgments and comments about others. Be aware of the consequences of your words as much as your actions. Even if individual perceptual errors do not cause great harm, over time their presence in the overall system of company perceptions weave a complex and difficult organizational reality in the workplace.

Cultural differences account for some differences in perception. Something that is said in one culture could mean something very different in another. This becomes very important when teams are multicultural or the supervisors are unfamiliar with cultural perspectives on work, management, personal freedom and responsibility, ethics, and the like.

Finally, it is common for many entrepreneurs to feel that they have not been given a chance to present their reality before an opinion is formed by others about them, their company etc. Don't fight it or deny what others perceive because that is the reality for them. Especially when you meet VCs, customers and suppliers, you may find that they have pre-judged you many times and if you don't find a way to acknowledge these prejudices and figure out a way to present your point of view, you may not be able to come away with what you wanted. If you can begin to take yourself lightly and develop a sense of humor, many people around you can tell you what the buzz is that you carry with others. Managing perception is one of the key skills that you have to learn to move forward in the entrepreneurial world.

Appreciate the roles of others

Give credit where credit is due. Many traditional managers as well as entrepreneurs forget this and that lands them in trouble. Appreciating what others have contributed will enhance their loyalty and increase the chances of continuing to do the work that brought the appreciation to begin with. Giving and receiving appreciation is especially important when you are under high stress or when are under deadline pressure even though that is the last thing on the mind for many of us. Don't wait to appreciate till you find some "worthwhile contribution" as one CEO put it. It is important to boost morale by recognizing small things that others contributed and appreciating what it took to make those contributions. The culture of your company will begin to reflect your approach if you are diligent about 'catching people doing something right.'

It is very important at this point to bring friends and family into focus again. They, too, are playing roles in this enterprise and without them the venture would have much less value. It is easy to push them to the margins, give them second best, or forget them altogether at times. Their names and faces need to be on the list of priorities like any other member of the enterprise. Even though you may be working most of the time, you need some types of rejuvenation that cannot be generated by the venture. The roles of family and friends cannot be overstated.

Be specific, timely and concrete when you appreciate others. Phrases like 'you did good, real good' are fluffy words that don't mean much to others. Say things like "yesterday, I saw you sitting with customer X, who is so judgmental. You noted down all his objections, grievances, and requests. Your sensitivity and responsiveness made X happy. Just to let you know--he sent me an email appreciating your willingness to listen to his complaints. We have already identified what we can do to continue to satisfy his demands and meet his expectations. What you did raised our customer satisfaction numbers. Keep up the good work."

In the execution stage of the company, once the product is launched and the team is in place, chances are that, you and other founders might be playing the role of visionaries. It is at this time that an experienced CEO is generally recruited to lead the company. If and when you receive criticism from the new CEO who replaced you, or from the VC who just joined your board of directors, it is important to know that they are doing their job: that is, helping you learn from your mistakes. By appreciating the fact that they are doing their role, you show maturity and extend your stay in the company. If you don't,

then they recognize that you are not able to learn what you need to learn to add value and sooner or later you will be asked to step down.

At different stages of the company's growth, different ways of appreciation become necessary. Pats on the back might be sufficient in the concept stage of the company or even during the development stage. But in the execution stage, rewards and recognition, stock options, bonuses, and promotions become much more important. You also have to know what moves whom and when. For example, some executives and engineers might like titles and recognition. Some others don't care for titles but go for stock options and money. Others might be totally motivated and have clarity of vision, clear directions and targets. When you appreciate people in different ways, be conscious about fairness and appropriateness: if you ignore financial rewards, which are due to someone because they are intrinsically motivated, then it might have a negative impact.

Delegate, delegate and delegate some more. It shows that you really appreciate what they can do and it communicates your ability to trust. If you delegate based on what you appreciate, then it can be a win-win. Those capable members in your charge are good at doing what they are given. Delegating to them means that you have one less task to complete, and you know that it will be done well. The attitude that "nothing gets done here without me…" fails to appreciate the roles that others play in the enterprise. In the "Development Phase," you will notice that leadership is encouraged to recognize that "you are all in it together, and everyone must work accordingly for the benefit of the whole organization." This cannot be effectively accomplished without appreciating the unique role of each person. According to Mike Cronin, General Partner, Weston Presidio, creating a central voice for the team should not [slow down] healthy delegation. "Good leaders also find great people and let them go."

Company X was a very successful venture and was sold for a premium price and the founder of the original company became general manager of a new division in the acquiring company. In learning to be part of a larger company where he was unsure of his own contributions, the founder/general manager hogged all the credit and slowly key team members left, and performance suffered. Less than two years later, the division was closed.

Appreciating their concerns is another important way to let others know you care. You might not be able to do anything for them but listening appreciatively could be significant by itself because entrepreneurs are so focused many times that they usually are not known to listen well. By empathizing with them, you build a stronger relationship with them and that becomes the foundation for further work.

Teamwork is the key

It is OK to not have the answers to everything. In fact, it is not possible though many entrepreneurs pretend like they do. It undermines others on your team and devalues your company if you behave like you do when you make a customer or VC presentation. However smart you are, you can't single-handedly navigate and guide your ship from homeport to its successful destination. Captains are measured on the strength of their crew. Being an expert in one thing at one time does not mean that you are an expert in everything or all the time. Find other experts to complement you and expect to take on a narrower role as the company evolves. Hire people smarter than you are and reward them

appropriately. Remember that one of the challenges to the entrepreneur is loss of control as the company grows. But as the venture community says, a five-percent stake in a watermelon is always better than 50% stake in a grape. To take the company from a grape to a watermelon, one needs people who are as passionate and skilled and committed to success as the original founders are. Once you bring them on, it is about sharing the wealth, sharing the authority and sharing the vision: these are what make the company move at an accelerated pace to success. One must recognize that the founder's role is only as necessary as long as the leadership is effective, and that teamwork is critical to growth and long-term success.

Product cycle times are so short that if you are not ready for tomorrow, you will fail before you begin. Believing that you (and your company) are invincible can have dire consequences. Hoarding power and decision-making as well as treating people like hired hands can seriously curtail development of their sense of ownership and responsibility. All the credit will be yours, however, but so will the big failure. Share the rewards and share the work, and they will share the risk. Expect the best from people and many times you get it from them. Invest in good people! The moment you stop adding value to the company will be the moment you are gone even if you are one of the founders!

Team does not begin and end at work. As you started out, your family, friends and relatives supported you with money, time, advice, encouragement and referrals. As you grow the organization, you have to figure out a way to make those people part of the extended team. Your empathy, appreciation and acknowledgments should extend to your family members and other supporters if you want their continued support.

Phil Condit, the current CEO and Chairman of Boeing as well as Alan Mulally, the CEO of Boeing Commercial Airplanes, are known for their focus on "working together." It was considered the key theme behind the successful development of Boeing's 777 planes. Alan Mulally used to run very effective project management meetings during the development of the 777 planes. He used an appreciative process by which things get done and are shared.

Focus on outcomes and process

Mike Cronin, General Partner, Weston Presidio stated that Leaders are motivators, energizers, and liberators. They have a passion for results. We also found through our own experience that the essence of leadership is value creation and it happens through both process and outcomes. Outcomes give you the short-term value and understanding the process allows you to create value over and over again. Entrepreneurs traditionally focus on what they put in instead of what others got out at different stages of the company evolution. Often times, you measure your own performance based on your input and other people's performance based on their output and that many times leads to conflict in the boardroom. It is important that the focus be on both the results produced and the process that achieved the results (this is in every case with no exceptions). This is important when hiring key talent. Here the focus should be on what and how they produced results in the previous company. In the related other chapters in this section, you will have more tips and guidelines on hiring an executive team and other key talent in your company.

Performance metrics should be established and communicated during the selection process. Executives who resist being measured on tangible or quantifiable performance may not be appropriate for startups and should be screened in the selection process. Once the executive selection has been made, motivating and retaining them and helping them to transfer knowledge to other members on the team becomes important. Focusing on establishing and communicating appropriate metrics for quality, process, completion, and delivery will go a long way toward success. These are all part of creating the talent management system, which is addressed in the companion chapter by Paul Kimura (and others) of this section.

Peter Senge, in his interview with us about soft skills and entrepreneurs, recommends that you take on value-adding activities like meeting management and conflict resolution, and then apply learning principles to them. Balance your opinions and judgments with openness and authentic inquiry in meetings so that you don't show up like 'a bore' that has opinion about everything and does not necessarily know what is going on at the ground level.

Hard work is not equivalent to *smart* work. While long hours is taken for granted in the initial development stage of an entrepreneurial venture, the value created is the most critical of factors. By focusing on appropriate process and getting the results, you establish a culture of quality, attention to detail, delivery and accountability. You become less dependent on personalities and more on roles and what needs to get done. The main goal of a startup is to produce a great business. One should make sure that the team is composed of people who can ride through rough times with a cooperative spirit.

Information is <u>not</u> knowledge. Giving information to others does not mean that they understand what to do with it and how to do it. Focus on what others are taking away. Check for understanding and follow up actions. Everyone must understand the context and environment in which he or she works.

Expect failures

Create a line item in your budget for 'failures' and allocate certain percentage of your budget for them. We know it is a very novel approach and you are operating some times on a shoestring. We highly recommend this practice because failures *do* take place and by allocating budget and requiring that assessment of failures be documented, you encourage responsible risk taking. Moreover you document communication of lessons learned through out the company's evolution.

Inability to act in time decisively and inability to take appropriate risks are two important factors that contribute to our failure as entrepreneurs. Which factor contributes to yours? Denying failures only allows you to delay learning. Fail big, fail often. Remember to do it consciously and don't fail in the same game more than twice. If you do, it means that you have not learned the lessons from the previous failure.

Learn constantly

Continuous learning is about engagement in the process of learning in an ongoing basis. Learning itself has two components: continuous and discontinuous. Continuous learning is the incremental, step-by-step type with no shift in context or point of view. Discontinuous learning, on the other hand, occurs when the context or point of view

shifts. It is this type of learning that leads to breakthrough innovation rather than merely continuous improvement. The shift of perspective has been known to produce significant insights ("aha's") and inventions, which change the direction of people's lives.

Prior success does not guarantee future success. If the new role is different, or the company that bought your venture has a different culture, or if you have new executive team members, you have to find ways to learn some new lessons and apply your old lessons to new situations. One Fidelity executive mentioned to us that if they do not come out with at least one new product every month, they fall behind their competitors. Even companies like Intel come up with new chips or new enhancements to old chips every quarter-- as the major percentage of their current revenues come from products, which are introduced only in the year of their introduction to market. That is what it takes to stay on top of new development: continuous innovation is the norm of competitive strategy. The market moves rapidly. Keep your feet moving or you will be crushed by competition. If you were the best yesterday, you can't necessarily guarantee your market-leading stature today. This is true for both companies and individuals. As an entrepreneur, you have to keep sharpening your saw because you don't know when you will need to demonstrate your new skills in lopping off a new territory of conquest.

Learning and Communication are two sides of the same coin. Learning creates the distinctions, and communication enhances them. When you speak, observe its impact. Continually adjust what, how much and to whom you communicate so that you can produce the results for which you are looking. Watch your intensity and how others receive it especially if you are a passionate person. It might prevent others from raising important and critical questions about making your ideas come alive! You have to learn what to expect from whom and how you can communicate with them. Communication is more of an art than science!

When you hire talent, sometimes, no matter how much effort you put in the interview process and due diligence, you will end up making some mistakes. When that happens, don't regret. Take quick action and see whether that person has the right attitude and fits in any other role. Otherwise let go of that person appropriately. One person with negative attitude can create havoc in a small company by de-motivating others.

You don't become an expert because you talk like one. The smarter you are, the quicker you may be able to pick up concepts and ideas from others. Executing on an idea that you really understand is quite a different game. Do you have depth and tacit knowledge that you can draw from in that area? Do others consider you as an expert in that area? If not, you had better focus on what you know best and continue learning the new area.

All of us have edges. Those are the places where our knowledge is shaky and some times we know it. Be aware of your edges and ask for help. In every role that you play, learn something and gain some new skills or knowledge. Pay attention to what you are learning rather than what does not work. When you demonstrate that kind of 'can do' attitude, it will get noticed. Even otherwise, you feel good and sleep well. If you are struggling with a new project bring in others in your team who can help you to think it through. Together, you might identify a potentially profitable area you should focus on. Partnering and teaming are most effective ways to learn.

Listen to others carefully and completely when they are trying to help. If your mind is planning on what to say next while others are talking, then you are not listening. Being silent does not mean you are listening. Asking questions and actively integrating what they said with your responses and plans make you a popular team-mate. Each opportunity that you missed listening to others, you lost an opportunity to learn.

Curiosity, anticipation, childlike inquisitiveness and willingness to look stupid and make mistakes are the qualities that distinguished high achievers. Linus Pauling, one of the rare people who got two Nobel prizes was willing to start over and over again after failure. Thomas Edison is known to be a relentless pursuer of new knowledge. He considered his 7000+ failures in finding an element for the light bulb as knowing 7000 ways to not build a light bulb.

Do you have that kind of tenacity, curiosity, child-like enthusiasm and inherent risk-taking capability? How about the culture of your company? Does it support learning-driven behavior?

John Scully was very successful in Apple but could not build on his success anywhere else. Many entrepreneurs in the valley are attempting their second, third and fourth attempts to find success that came so easily the first time. Exodus, the company co-founded by one of the authors, did very well and became a multi-billion dollar company in less than 5-years. But it went bankrupt after the founders left the company. So there are many examples of companies and people who failed to learn and learned to fail. Which category do you belong to?

Conclusion

Every entrepreneur thinks that his/her product, services will change the world. They might but the change has to begin closer to home. By focusing on your behavior, knowing doing gap, attitude and soft skills, you begin to inspire others to pay attention too. When your team and key people in the company learn to pay attention to soft skills in addition to hard skills, your chances for success go up exponentially.

Soft skills alone won't make you successful either. They have to be balanced with having the management team with right hard/professional skills, creating a human resource management system that supports your team would multiply your chances of success. When you have all the three factors optimized, the human capital in your company begins to pay rich dividends.

Mentors and good consultants can accelerate your journey considerably because they can mirror your behavior and help you identify holes below the waterline quickly. Don't wait till you have a crisis on hand to work with them. Remember that you cannot do anything to improve your IQ but EQ can be significantly altered as one can learn and develop soft skills over time.

There are now Internet based soft skills training courses that allow you to work with simulations, what-if scenarios and adventure games to learn soft skills. Of course face to face training could be more effective if you can find trainers who can customize their courses to suit your needs. Finally, focus on long term development approach for developing soft skills rather than event based approach. With regular coaching, mentoring, action learning sessions supplemented by trainings and workshops, you can

get your entire team effective in making presentations, supplier negotiations, building teams and innovating products.

Finally, developing a shared appreciation for the enterprise reality is not an easy task. It has to do more with mental models and developing competencies and capacity in addition to skills and behavior. You have to examine your point of view that is shaping everything you do. Senge believes that basic inquiry skills, the ability to distinguish interpretations from data, and the ability to pose questions that really help others to learn more from the current context are critical in making you and your company successful.

A ship not only needs a map for its journey, it also needs theories about how the currents work, wind and weather, and theories about the meaningfulness of the journey itself. Members of the enterprise need mental models of how it all fits together. According to Senge, without a theory of business (a la Peter Drucker) the company doesn't last long. The entrepreneur, as well as other members, must ask (and be encouraged to do so) a series of questions e.g. what is our theory, where are we, how do we generate value, what are our key sources of distinctiveness are we sophisticated in building shared understanding, how do we look for disconfirming evidence that identifies what is wrong with our theory. It in this process that the gaps between knowing and doing are discovered.

Senge found a tremendous alignment between the basic ideas of organizational learning and Asian cultures. There is room for an Asian approach that respects natural capital, social capital and human capital. Shaping the human capital the Asian way could be a "discontinuous, big opportunity for the 21st century" and we hope that you can take advantage of this opportunity to make a difference.

Core Competencies for Success:

While skills are good to develop by themselves, integrating them into a systemic practice makes you develop new competencies for success. Competencies allow you to integrate your skills and knowledge in the context of new projects. We found these six competencies are useful in all stages of your company and in fact, could be very useful in your personal life as well. When you start something new, keep these six competencies in mind and consciously apply them in your work and life and soft skills become integrated with your professional skills over time. (You can read more about these skills in another article The Art of Accomplishment by Prasad Kaipa)

Be clear and intentional about what you want

Be aware of what is going on around you and inside you

Have empathy for one another

Appreciate what you have and what others bring

Know your limits and stretch beyond them

Let go of what does not work

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