

Building an effective management team

For business ventures focused on commercializing innovation, an effective management team is one of the primary drivers of value. Venture capital firms and other investors always stress that the importance of the management team for venture success - many prefer an A-level team with a B-level idea than the opposite. Similarly, noted author and professor Jeffrey Pfeffer contends that it is “more important to manage your business right, than to be in the “right” business. Success comes from being able to effectively implement a competitive strategy, not merely from having one.”

Yet building an effective management team, like building any team, is challenging, and is certainly more than just assembling talented people. Consider the United States Olympic basketball teams in 2004 and 2008. The 2004 team was essentially an assembly of individual stars who did not play effectively as a team. By contrast, the 2008 “Redeem Team” performed more like a true high-performance team, and as a result easily won gold.

So how does a venture build an effective management team? What are the practical, essential steps CEOs should take to succeed in this critical area?

In the Innovation Venture Model, our best practice innovation and venture management methodology, management team effectiveness is achieved through doing three things well:

Organization • People • Teamwork



- *Organization* – defining the team correctly - the roles needed and their responsibilities
- *People* – putting the right individuals in each role and helping them succeed
- *Teamwork* – getting the team to work together effectively.

Organization

The first step is to define the team correctly. Unlike in basketball, there are no standard positions on a venture's management team. The foundation of success in building an effective management team is to define the team's, and by extension the organization's, roles and responsibilities carefully and thoughtfully.

Define roles and structure

In many ventures, insufficient thought is given to the management team and functional roles and structure. Frequently the CEO or founder will put in place an organizational structure that replicates his or her previous experience. In other cases, roles and structure are defined based on the skills or preferences of the incumbents. Internal politics often comes into play, with individual managers seeking roles and responsibilities that give them more personal power and influence.

The correct approach is to begin with the needs of the business. What is the strategy and business model? Based on these, what are the core daily tasks and activities that need to be done? What are the key initiatives that need to be accomplished?

Once these are detailed out, the next step is to review all these activities and initiatives and explore alternate ways in which to group them. To do so, it is a good idea to define a set of criteria to guide you. These might include:

- Defining roles that ensure all the key activities and initiatives will get done properly.
- Defining roles that will reasonably fit with skills available in the market (as an example, many ventures have a VP Sales and Marketing, but in practice there are few executives who truly have top class skills in both disciplines; despite the coordination challenges, ventures are typically better off creating separate sales and marketing VP roles so that they can find people who can actually perform the roles successfully)
- Defining the right number of roles – too few, and the roles become impossible to do; too many, and costs will be too high, and there will be problems of communication and coordination
- Maintaining a reasonable balance of responsibilities and workload amongst the team
- Ensuring that the right roles report directly to the CEO – critical roles should not be assigned at a lower level, nor should less critical roles report to the CEO
- Defining roles that will attract executives of approximately the same level of capability and experience – having some roles defined to require senior, experienced executives and others to require more junior people creates a built-in imbalance in the team.

This analysis and definition must first be done in the abstract, disconnected from any incumbent executives. Once the theoretical ideal roles and structure are defined, in practice they may need to be adjusted to account for the particular capabilities of existing executives. However, at least you will clearly see where you are compromising the ideal, and where you may need to make a change in the future.

Bear in mind that your management team structure and roles will need to evolve relatively frequently as the needs of the business change. It is important that all executives understand this up front, so that expectations are set accordingly. This applies even to the CEO.

Clarify focus and responsibilities

In finalizing the team's roles and structures, ensure each executive has a clear, distinct focus and a clear, distinct set of responsibilities. In this sense, strive to make your management team's focus and responsibilities "MECE" – mutually exclusive and collectively exhaustive. Many problems arise in organizations and amongst management teams when

- executives are not clear as to their individual focus and responsibilities
- individual focus or responsibilities overlap, or
- some elements of focus or some responsibilities fall through the cracks.

In doing so, ensure each executive is clear on how your overall strategy and business plan translates into each person's goals and responsibilities, and vice versa.

Getting your executives' focus and responsibilities right is enormously important, as it cascades down the organization and becomes the primary determinant of what all your people do every day, and how easy or difficult it is for them to be successful.

Give executives freedom balanced with accountability

Once you have clearly defined each executive's focus and responsibilities, it is essential to give them the freedom to act. Many ventures are led by CEOs who consciously or unconsciously micro-manage their executives. By doing so, the CEO ensures both that his or her attention is not focused on those issues that are the true province of the CEO, and also does not get the best out of his or her team members. Management team members should be given the tools and resources to do their jobs, and then allowed to perform freely.

Balancing this freedom is the vital concept of true accountability. Each executive must be held accountable for his or her goals and responsibilities. Simply put, this means there are real consequences, both positive and negative, for each executive's performance. Executives who achieve their goals and fulfill their responsibilities are rewarded; those who do not are not rewarded, and ultimately may even be replaced.

People

With a well thought out organization in place, you can focus on filling your management positions with people best suited to execute the defined roles and responsibilities to implement your venture's strategy.

Recruit the right people

Attracting the right people to fill your management team is one of the most important tasks of the CEO. The people you bring onto your team must possess the right individual and collective skills, market knowledge and passion.

Often early-stage venture founders tend to bring on people with whom they are close or have worked in the past. While it is important to know, trust, and be able to collaborate with the people in your team, it is essential to be rigorous in identifying the right skills and experience needed to fulfill the roles and responsibilities that you have defined as needed.

Once you have determined these attributes, explore multiple channels to find the right people. It is frequently unnecessary to hire an expensive search consultant – with the right effort in networking and using the web, most ventures can generate a strong pool of candidates from whom to choose.

To maximize your chances of success, clearly define your ideal profile candidates, as specifically as possible – including the education, companies, positions and geographies you would ideally like to see on their resumes. Then seek out people that closely match your ideal.

Equally important, clearly define your value proposition to prospective executives. Good people have many career options – why should they select your business as a venue for their talents and energies?

Provide direction, coaching, feedback and rewards

Hiring good people is certainly not enough. No matter how experienced your executives, each venture and each team has its own unique circumstances and challenges. Just like world-class athletes, even experienced executives need direction, coaching, feedback and rewards to maximize their individual performances.

Giving direction is about agreeing to the goals to be achieved, and the broad guidelines on how to get there. It is not detailed micro-managing. It begins with the focus and responsibilities you assign to each executive. Building on that foundation, tailor the amount of direction you give to the needs of each team member. With some, you may only need to provide little more than inspiration; others may need you to be more specific.

Recognize the strengths and skills of your executives, but also be alert to their individual development needs. Whether you personally provide coaching or use a range of other formal

and informal training methods, it is critical that you put in place a process for continually improving your team's individual skills and knowledge. Successful companies integrate training into their core management practices and make it a source of competitive advantage.

Provide feedback regularly, primarily informally and occasionally more formally. Most successful ventures adopt an open culture in which team members are open and willing to receive and provide feedback. In addition to direct manager feedback through performance and development plan review and informal conversations, feedback can be solicited from peers, team members and even external stakeholders. Feedback should be paired closely with professional development to build competencies in areas of need.

Executives join ventures for a range of both financial and non-financial rewards. Translate the value proposition you offered to your team when you hired them into tangible rewards that meet their needs and motivate the performance your venture needs to be successful.

Change executives when necessary

As mentioned above, with rapidly growing and changing innovation-based ventures, management team changes often need to be made relatively frequently. There could be many reasons - the business grows to a level beyond the skill-set of the incumbent, the business needs change or external market conditions cause unexpected stresses.

As the venture's leader, you must place the good of the company above personal relationships. Each executive must be regularly and objectively assessed against his or her goals and responsibilities, and those who either can't or won't meet the required standards must be replaced. This is probably one of the responsibilities most CEOs like the least – yet it is vital for the health and success of the venture. Very few venture CEOs feel they let people go too soon – almost always their rueful observation is that they held onto people for too long.

It is important in making such changes to do so within the right legal and ethical parameters, placing a high value on the lives of those affected, and ensuring that the way in which changes are carried out minimize distractions to the task at hand and cultural upheaval.

Teamwork

With the right organization in place populated by the right people, the final dimension of management team effectiveness is to ensure your executives truly work together as a team. A high performance team is one that together can achieve results well beyond the aggregate of individual capabilities. The New England Patriots in the early 2000's were an example – few individual stars, but spectacularly successful as a team.

This is easier said than done. Venture executives are typically experienced, type-A personalities, with strong views and individual ambitions and preferences. In addition, by necessity (as described above), each person has individual goals and accountabilities, which the venture needs them to achieve. How do you foster teamwork in such an environment?

Three elements are key:

Develop shared vision and values

One of the foundational tenets of teamwork is to have your team share common values and be committed to a single vision of the team's goals. This can include:

- Developing a core, written set of values as a team early on, and evolve as needed.
- Establishing mutual accountability and trust
- Insisting on transparency – do not shield ulterior motives or political agendas
- Accepting and encouraging diverse viewpoints
- Managing disagreements in a healthy and productive way – encouraging open expression, empathy and listening, with a joint commitment to make fair tradeoffs where needed

Conduct joint problem definition and solving

Teams that identify and solve problems together typically experience strong bonding and mutual commitment. However, team problem solving can be lengthy, so should be reserved for key issues that face the business as a whole. Individual executives should focus on solving functional problems, and the CEO should make decisions on issues that do not warrant team attention.

It is important that you identify clear criteria that will define which issues will be problem-solved by the team. Failure to do so may lead the CEO to view his or her team as indecisive or the team to consider the CEO's actions as unilateral and unfair.

For key issues that do warrant management team attention, incorporate the following best practices:

- Begin by jointly defining the problem and the outcomes to be achieved
- Define the criteria by which solutions will be evaluated
- Do not focus on only a few alternatives, rather generate multiple possible solutions
- Do not be unnecessarily hampered by perceived constraints; identify and agree on which constraints can be overcome and which cannot
- Explore each option's advantages and disadvantages; insist on factual support wherever possible
- Try to avoid a vote, rather "take the pulse" of the team periodically and use that to guide the discussion
- Creatively devise hybrid solutions that borrow the most desirable elements from distinct alternatives
- Designate ample time to discuss and solve problems, but also set a deadline to impart urgency.

Pursue continuous joint learning

Similarly, a team that learns together, particularly through extensive joint experience and problem solving, develops a very strong group culture and identity.

One way to facilitate group learning is to reflect as a team on performance and lessons learned after reaching a milestone or overcoming a significant obstacle. Other tactics can include 360-degree feedback, creation of new processes and metrics, revision of team's values / ground rules, and team-building exercises.

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Effective management teams are critical to venture success. Venture leaders, typically under huge pressure and dealing with many issues, need a practical and effective framework to help them build effective management teams. In this article, we have presented such a framework, comprising three elements: defining the right organization structure and responsibilities, hiring the right people and managing them effectively, and turning them into high performance team. By following this integrated approach, venture leaders will build great management teams, able to realize the full potential and value of the venture's innovation and market opportunity.

Additional reading and resources

Frisch, Bob ["When Teams Can't Decide"](#) Harvard Business Review, November 2008
(subscription required)

An insightful article about management teamwork from the newly released November edition of Harvard Business Review. Frisch focuses on improving decision-making processes of the CEO and the management team.

Gouillart, Francis J. and James N. Kelly. [Transforming the Organization: Reframing Corporate Direction, Restructuring the Company, Revitalizing the Enterprise, Renewing People](#)

A comprehensive source focused on the organization and management practices. Gouillart and Kelly do a good job of laying out the elements presented in the Organization section of this article. Central to their advice, is the concept of treating the management team and its transformation as if it were a living organism.

Katzenbach, Jon R. and Douglas K. Smith. [The Wisdom of Teams: Creating the High-Performance Organization](#)

Katzenbach and Smith focus on breakthrough elements of forming and nurturing teams. In addition, they focus on debunking longstanding myths about the importance of real team performance within senior leadership groups and the underlying assumption of strong leadership. This well regarded tome presents valuable teamwork recommendations.

Pfeffer, Jeffrey. [The Human Equation: Building Profits by Putting People First.](#)

Noted organizational behavior thought leader, Jeffrey Pfeffer, pioneered people management as a potential sustainable competitive advantage. In his book and through his research Pfeffer concludes that companies have a one in eight chance of pursuing profits by people first. One-half of organizations won't believe the connection between how they manage people and the profits they earn. One-half of those who do see the connection will attempt piecemeal change that won't be effective. One-half of those who pursue comprehensive change won't persist long enough to see economic benefit.

Sutton, Robert I. [Work Matters](#) (blog)

A sharply written blog authored by Stanford University Management Science Professor, Bob Sutton. His research is focused on links between managerial knowledge and organizational action, innovation, and organizational performance. Sutton has written several acclaimed books such as [The Knowing-Doing Gap: How Smart Firms Turn Knowledge Into Action](#) (co-authored with Jeffrey Pfeffer), [The No Asshole Rule: Building a Civilized Workplace and Surviving One That Isn't](#), and [Weird Ideas That Work: 11 ½ Practices for Promoting, Managing, and Sustaining Innovation.](#)

About the authors

Michael Lurie is Founder and CEO and Dan Zagursky is a Manager with Blue Mine Group in San Diego, CA. Blue Mine Group is a strategy firm specializing in new product development, venture management, and corporate innovation.