



# ENTREPRENEURSHIP AND LEAN STARTUP. HITTING THE WALL BUT STILL GOING.

Artem Berman, StarWind

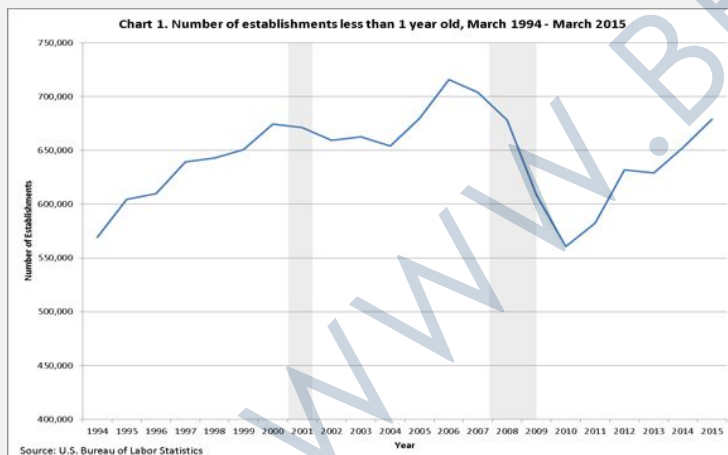
# Founder, Leader, and Manager

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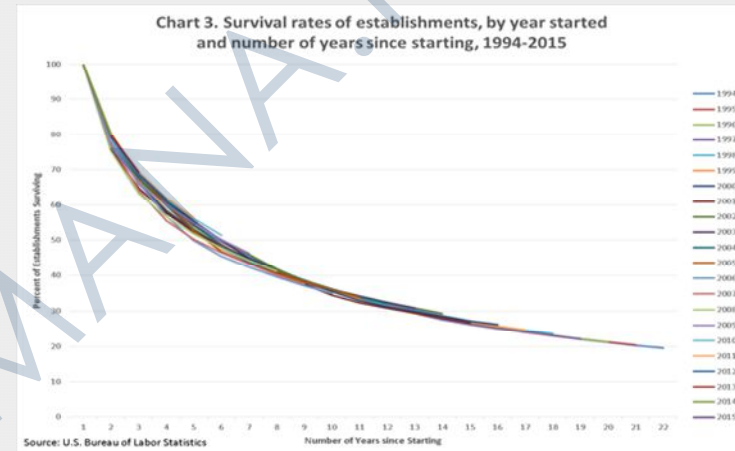
# Entrepreneurship and economy

## SMBs in the contemporary economy:

Private sector made of SMBs is a basis of the open market economy. not only it contributes to GDP and creates working places, it also creates the unique atmosphere of competitiveness and initiative in the society. Entrepreneurship and private initiative are the key drivers that moving western economy nowadays.



Not all of them survive for long time unfortunately



A total number of entrepreneurs in the US exceeds **27m now.**

**14%** of the working population.

**46%** of private sector GDP.

This way we can see that for healthy economy private sector constructed of entrepreneurs is a critical component of the economy. Equally important as big enterprises.

## Founder. The characteristics

The founder is another way to call an entrepreneur. To be a successful entrepreneur, it takes some unique combination of traits and qualities. This combination is not too unique though because millions possess it as we saw on the last slide. So what characteristics would we be mentioning been thinking about entrepreneurs?

- they are willing to take the risk
- they are willing to challenge the status quo
- they are ready to take the responsibility
- they are passionate about what they are doing
- they are ready to work long hours
- it's more about lifestyle than about work

So, if the idea about leaving crease liner and starting your own journey in the ocean in a small boat is appealing to you probably the destiny of the Entrepreneur is something you may want to consider.

## Top 10 Signs you were BORN TO BE AN ENTREPRENEUR

Here are 10 signs that you were born with the entrepreneurial spirit.

1 Risk-Taking Behaviors

2 Tenacity

3 Confidence

4 Adaptability

5 Curiosity

6 Restlessness

7 Focus on the Big Picture

8 Rebellious Streak

9 Desire to Build Things

10 Competitiveness



## Several founders. How to avoid killing each other?

It is very important to have a team when starting a new business. A team of like-minded people but with a different set of skills. Normally business started by only single founder facing more challenges in the beginning. The risks are high enough for VCs to deny investments into the 1-man shows normally.

So the team has all the benefits except for interpersonal relations risk. Less so, in the beginning, it can become critical as time goes by or during the difficult times of crisis as well as during the happy times of victories.

It is very important to agree on all essential aspects of the business before the actual journey begins. You should be aware that owns shares of the company that cost nothing right now may eventually be worth millions in the future.





# Leader and manager, is it the same person?

**Managers** are people who do things right and **leaders** are people who do the right things.

It is important to remember that managers and leaders are not the same people. In contrary, these two categories of people can be very different. Since in your company you will be fulfilling both positions in the beginning at least you should be aware of these differences

## Managers

- Plan, organize, control, budget, manage resources
- Focus on solving problems & achieving goals
- Are emotionally distant
- Value stability and status quo

## Leaders

- Define direction and create shared vision
- Build culture & model the values
- Focus on people and relations
- Are highly effective emotionally, inspire, motivate, energize
- Value change & challenge the status quo

As you may have noticed, some positions are mutually exclusive. Like desire for change and for maintaining the status quo.

You should be aware of the difference and since in the young startup you will be the man of many hats you should precisely know when you are putting one hat and when another.



# Pioneers and followers

These form a team. **General benefits of the teamwork:**

- Creativeness and learning. Ongoing brainstorming and ability to teach and learn by example are natural outcomes of the teamwork.
- A mix of the useful skills across the team. One person, cannot possess all the necessary skills hence teamwork helps each member of the team shine at their best.
- Less stress. If you can concentrate on the something, you are best doing you will have less stress at your workplace.
- Reduced absenteeism. With less stress, you are reducing absenteeism
- Increased effectiveness and efficiency

So, the entire process of business development is carried by groups of people. Whether we talk about the BOD or support department.

Group dynamics deals with the process of forming the group. **These are the stages:**

- Forming
- Storming
- Norming
- Performing

But even for performing groups, you will impose changes and challenge status quo often.

**The process is**

1. unfreezing the group.
2. onboard group members.
3. impose the changes.
4. freeze the group.
5. keep going with the new policies.

You will be initiating these processes as a leader and then run and finalize them as a manager.

# What makes a great leader?

## **There are many studies and theories on the leadership.**

- The traits theory
- Behavioral theory
- Contingency theory

As a leader, you will be challenging the status quo and inspire your followers to follow you and show their best in doing so. What is critical? Long story short you should be passionate, fair and teach what you profess. Manage by example.

Normally on the early stages of the startup's life, you will be surrounded by equally passionate people who believe in your ideas and share your visions. These people will be less concerned with money and more with the result and their actual goals. Results are always instrumental to the real values of theirs. It would be good if you'd know a bit about the motivational theories and for the key people in your organization you should know their real motivation.

At any cost, you should avoid Machiavellianism because that even if it proves itself working, in the beginning, it will always destroy the moral and business in the long run.

Low morale always leads to the failure. Failure is a question of time only then.





# What makes a great manager?

It is much easier with the manager. The power, authority, and persistence would do the trick.

- You need the power to set the goal
- You need the authority to get the people on board with the goal
- You need the persistence to be able to control the execution

Reaching the level of the own incompetence is inevitable. Two options (step aside or learn and self-develop).

What is the main assignment of the manager?  
Increase the wealth of shareholders. No more no less.



## Should I be a technical savvy (a programmer)?

Latest case studies demonstrated the life success mostly depends on the soft skills **(80%)** and only then on the technical knowledge **(20%)**. It suggests that no you shouldn't be a technical savvy to start the business. You should get hold of one as a member of your team though.

Depending on your venture's nature you may need that or another type of the specialist. Or you may be such a specialist yourself, and then you are going to need to find a business person to join that dream team of yours. This way or another we will be talking about the team here. And the team should be built in a way to balance the critical skills your business needs.



## Should I be an asshole?

Steve Jobs was and is one example of the super successful entrepreneur that built world class company, and his story is probably one of the most well-known success stories in the technology industry. Many ex-employees and people he has been in contact confirm that he was very difficult as a person, to say the least. Now should the behavior of tough and extra ordinary people be modeled by young entrepreneurs? Most likely no they shouldn't use the extra, my examples. Normally your success depends on the communication lines and a network of the people you know.

It is just so nice guys with the values, and high morale reaches more in their career than otherwise people. Plus, you should first build that multi-billion company and then be eccentric. Charisma and personality always help achieve more but when dealing with the mad scientist or ass-hole genius, make sure the guy is a scientist or genie. Otherwise... he is just an ass-hole.



# Finding a motivation

Motivation accounts for intensity and persistence of the effort (own or that of other people or group of people) towards the desired outcome (direction).

Motivation is crucial for whatever activity and success in the life overall.

## **There are dozens of motivational theories**

- Covert theories
- Process theories
- Environmental theories

You should probably spend some time reading about these in great detail. But long story short motivation directly affects attitude and.

“Attitude is a little thing that makes a big difference.” – Winston Churchill. Either you do more than expected or just enough to get things going without ensuring the quality or considering the consequences.

Your motivation is also a scarce resource. It may last years until it burns out or you need to refresh it daily but this way or another you need enough of it for yourself and your team.



# Stress-test of yourself

The process of building of your business will be a stressful experience. You should be aware of stress and how it affects you physically.

There are two types of stress we are dealing with daily: an acute stress and chronic stress. While the first type can be beneficial, the second type is the cause of somatic diseases.

- Chronic stress impacts our physical & psychological well-being
- US statistics:
  - **85%** of medical problems are stress related,
  - **90%** say that they don't spend enough time with their family,
  - **52%** of professionals die prematurely from stress-related disorders

The reaction of our organism on the stress called: General Adaptation Syndrome. We cannot escape stress, but we should manage it and not allow it to destroy our motivation.





# A team and roles ambiguity

## The main challenges any team leader or manager dealing with are:

- Building the trust and communication lines
- Choosing common objectives and conflicts management
- Overcoming the ownership feeling and participation in the decision-making process
- Find the best use for the diversity of the talents
- Team spirit and team building
- The same is the issues team of founders faces as well.

Roles ambiguity is one of the most dangerous challenges that can create a basis for potential COI. Your areas of responsibility should be defined, clearly articulated, written down and followed strictly.



# CEO responsibilities

Here I put together the list of product IT Company's CEO's responsibilities. Based on the stage and particular circumstances, some tasks are eventually becoming the duty of various VPs. I am not listing sales and marketing activities here.

## Customers

- Customer development
- Segmenting the market, looking for sweet spots and opportunities
- Drawing the customer(s) portrait(s)

## Product/Technology

- Preparing, adjusting and formulating strategic tasks for R&D
- Working with the head of R&D on product roadmap
- Innovating and enhancing existing technologies
- Change management. Making sure the product adequately responds to the new challenges and opportunities of the market.
- Supervising R&D and QA teams

## Evangelism

- Monitoring the new trends in the industry
- Keeping track of new developments in competing businesses
- Spreading the word in professional forums and communities

## Business processes

- Developing and formulating business strategy
- Monitoring and coordinating work of company departments and business processes
- Formulating and controlling tasks for team leaders and top managers of the company

## Environment

- Maintaining relationship with the board of directors
- Setting up and leading board meetings
- Working with authorities and government bodies
- Supervising and participating in PR and brand building activities
- Building business and technology alliances
- Passing audits and due diligences, keeping company ready for these

## Finances

- Keeping an eye on financial statements and ensuring the liquidity sufficiency
- Budgeting and budget execution supervising
- Running and coordinating money raising activities
- Maintaining the relationship with VC community
- Looking for the possible strategic exit (IPO, acquisition opportunities)

## HR

- Looking for best talents
- Keeping team motivated

# Hands-on management and delegation

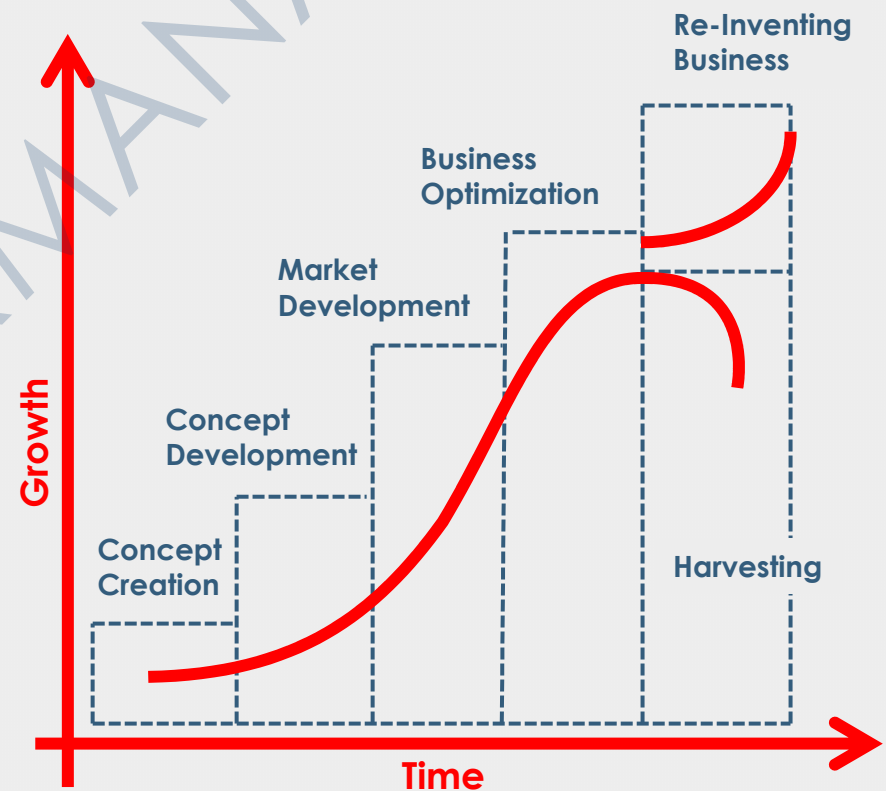
Each organization passes several stages during its development.

1. You find your business model and its components
2. You scale the business
3. You are making exit or re-launching new products

On the latter stages the companies are normally ran by the team of experienced managers. Initially though you will be hands-on running many daily aspects of the business. You cannot delegate much in the beginning because active participation of the founder in any single critical activity is crucial on first year of the startup. This way you are validating your

- Product idea
- Business model
- Delivery network

But on the later stages you should learn how to delegate because micro-management becomes a problem as it doesn't scale effectively.



## First to leave if success. Last to leave if a failure

Founder or founders are the ones responsible for both success and failure of the business. Being a leader means to lead the people by very definition of the word. Leading people means taking responsibility for whatever outcome of the venture. There is a difference in mentality of the freemen and slaves. A free man says, "It was my fault that I..." and a slave says, "it was their fault that I...".

It is important to remember that. The ideal situation is when you found the strategic exit opportunity within first five years of your company existence. Then you will sell the business and take care of the people working for you. Engineers normally keep their employment, and you will take other people to that next venture of yours.



## About lecturer

### **Art Berman, MBA**

Art Berman is a successful serial entrepreneur who has founded a number of companies in the technology industry. Mr. Berman brings more than a decade of entrepreneurial experience building and advising successful software companies. Art has managed worldwide online sales and operations since 2003. Mr. Berman earned his Bachelor degree in Economics from Moscow International Business Institute in 1997 and Executive MBA in Edinburgh Business School - Heriott-Watt University in 2014.







**Thank you!**



**Questions**