

Venture Management and Leadership

ENTREPRENEURIAL LEADER LEAVES COMFORTABLE JOB TO LAUNCH TECH VENTURE

Todd Basche wasn't always an entrepreneur. In fact, he spent many years working in big companies before he decided to strike out on his own. As Apple Computer's vice president of application software, Basche's responsibilities were always entrepreneurial in nature. In addition to his creative days at Apple, Basche had also worked in product development at Hewlett-Packard. Despite the creativity of his day job, Basche dreamed of starting his own venture one day.

When he turned 50, Basche decided it was time to create something that was completely his own. His breakthrough idea came to him one day when he was trying to think of an intuitive number for the lock to his pool. What this helped him discover was a \$1 billion consumer market with revolutionary potential.

What captured his attention was the combination lock industry. While not exactly a high-tech market, Basche believed that memorizing numbers for various locks is not intuitive. He thought about his experience in the computer industry, and the prevalence of User IDs and passwords, most of which are letter-based codes that are easy to recall.

Basche and his wife, Rahn, developed and licensed the initial product to Staples for a trial run. Quickly realizing its potential, they both quit their jobs in January 2007 to focus on building their new company, "Wordlock."

The Santa Clara, Calif.-based company was self-funded and home-based during the first year, but experienced strong growth in 2008. By the first quarter of 2008, Wordlock was in 900 retail locations; by the end of the second quarter, it was in 12,000 stores.

Basche sees potential in other markets, as well. "There are other consumer product areas where the market giants have been sleepy," he says. "The learning curves and challenges for an entrepreneur are considerable," but Basche says the experience has been profound. "When the product is your own, versus a corporation's, it's an amazing feeling to watch it go from your head to the store shelf"

Source: Adapted from Julia Boorstin, "Staples Lets Customers Do the Designing," *Fortune*, April 18, 2005; Jennifer Wang, "A Step Down That's a Step Up," *Entrepreneur*, November 14, 2008.

12.1 INTRODUCTION

A common problem that arises for many technology entrepreneurs is the lack of preparation as the venture grows, and the founder must make the transition from lone entrepreneur to manager of a growing enterprise.¹ Many technology entrepreneurs have not had formal training in managing or leading others, and some are happiest and at their best when working in isolation on challenging technical problems. That is not to say that such individuals are incapable of developing and even mastering the skills of effective management.² We are simply saying that many technology entrepreneurs have spent their careers learning and working within highly specific technical niches and **have not focused on developing their managerial talents and skills.**

The good news is that it does not require an MBA to be an effective manager or leader of a technology start-up. Many technology entrepreneurs simply take the “on-the-job-training” approach, but that can be hazardous. Start-up ventures often **have very little room for failure** and must operate effectively from the beginning to succeed. Not only can the venture suffer if the entrepreneur is learning to manage and lead for the first time “on the job,” but investors and other stakeholders may have little patience for the learning process.³

Although it is imperative that entrepreneurs learn at least some of the art and craft of managing and leading from experience, a few lessons from books and advisors can also be helpful. In this chapter, we provide some fundamental ideas about managing and leading a technology venture. The basic concepts and leadership techniques discussed here are intended to provide a framework for understanding the variety of issues that inevitably arise in start-up ventures. These ideas should be applied to leading and managing, and the results of applying them should be monitored and assessed. Most likely, each of the skills, roles, and techniques described in this chapter will need to be adapted and modified for unique situations.

We begin our discussion of management and leadership by reviewing several of the higher order skills that most entrepreneur managers will need to organize and control the venture work environment.

12.2 ENTREPRENEURIAL LEADERSHIP

Leadership is an important and necessary skill for achieving individual, group, and venture performance. The entrepreneur influences the attitudes and expectations that encourage or discourage performance, secure or alienate employee commitment, reward or penalize achievement. Entrepreneurial leaders must be able to **influence others to work as hard as they do in order to create a**

valuable company. Some scholars have noted that the technical skills that make entrepreneurs successful in the early stages of a company actually hinder them as the company grows and greater emphasis on managing and leading are required.⁴ Research has determined that many entrepreneurs are effective in creating and starting a company on their own. However, when growth requires additional employees the entrepreneur does not have the necessary skills to motivate and inspire followers.

Recall that we have characterized the start-up company as a “temporary organization” that should be focused on searching for a repeatable, scalable business model. **This phase of the venture will require less formal leadership and management, but the entrepreneur must still ensure that everyone is operating effectively.** The search process in the start-up phase is full of ambiguity, chaos, and uncertainty. The entrepreneur-leader must ensure that everyone is **focused on running the kinds of experiments** that will result in validated learning. The build-measure-learn feedback loop (Exhibit 2.1), that we discussed in Chapter 2, requires the entrepreneurial leader to focus the team on learning from experience.

Once a repeatable, scalable business model has been found, the venture goes through a transition from searching to executing. The entrepreneurial leader must **now shift focus to building a company capable of executing the business model** that was discovered during the search phase. **Exhibit 12.1** highlights the transition from “search” to “execution.”

Technology entrepreneurs who lack leadership skills hang on to their “independent” actor status for as long as they can. However, their growing companies are often characterized by high employee turnover and general employee dissatisfaction. Usually, the entrepreneur who lacks leadership skills **either eventually leaves the company or finds someone else** who can lead employees day-to-day while the entrepreneur takes on a different role within the company—perhaps as chairman, as an externally oriented CEO, or Chief Technology Officer (CTO).

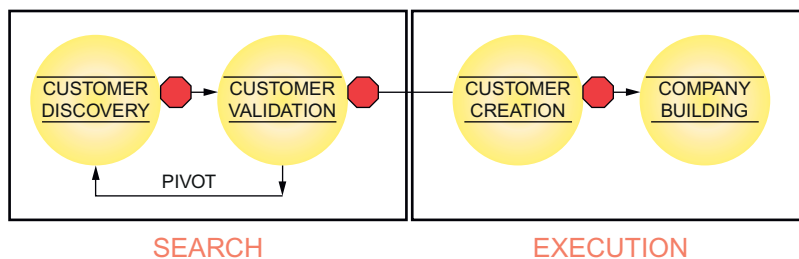


EXHIBIT 12.1

The transition from search to execution.

In this chapter, we define leadership as “the ability to influence, through communication, the activities of others, individually or as a group, toward the accomplishment of worthwhile, meaningful, and challenging goals.” First, this definition indicates that one cannot be a leader unless there are people (e.g., co-workers and followers) to be led. Second, leadership involves the application of influence skills. The use of these skills has a purpose; to accomplish goals. Finally, an objective of leadership is to bring about influence so that important goals are achieved. This influence is brought about not only directly through authority or motivation, but also indirectly through role-modeling. Research has shown that employees generally have higher expectations of leaders as models or exemplars of the organization.⁵

Leadership is a general concept that applies in many different social contexts: sports, politics, organizations, and entrepreneurial ventures. You probably will agree that the traits and behaviors that make a person an effective leader in politics may be quite different from those that make a person an effective leader of a sports team. The same is true of leaders in business. The traits and behaviors that are necessary for leaders of large organizations are different from those that are required for leaders of entrepreneurial ventures.

12.2.1 Influence

The exercise of influence is the essence of leadership behavior. Leaders use influence as their primary tool to move the venture toward its goals. Of course, the entrepreneur must also use such tools as compensation, employee feedback and evaluation, and organizational structure to move a venture forward. Seven influence strategies have been proposed as vital for entrepreneurial leadership roles:⁶

1. Reason—Using facts and data to develop a logically sound argument
2. Friendliness—Using supportiveness, praise, and the creation of goodwill
3. Coalition—Mobilizing others in the organization
4. Bargaining—Negotiating through the use of benefits or favors
5. Assertiveness—Using a direct and forceful approach
6. Higher authority—Gaining the support of higher levels in the hierarchy to add weight to the request
7. Sanctions—Using rewards and punishment

Entrepreneurial leaders need to learn a variety of influence strategies. As their business grows, they cannot rely solely on exercising the power they possess by virtue of their position as founder and owner. Research indicates that employees demonstrate higher levels of motivation if they are allowed to influence the way the organization works. Scholar Noel M. Tichy said, “The ultimate test for a leader is not whether he or she makes smart decisions and takes decisive

action, but **whether he or she teaches others to be leaders and builds an organization that can sustain success even when he or she is not around.**"⁷

Entrepreneurial leaders must be able to exercise their influence without developing arrogance or an air of superiority. This is difficult for novice entrepreneurs who may be unfamiliar with power and authority. Suffice it to say that tyrants rarely inspire great effort among their people.⁸ In fact, people respond to, and are influenced by, leaders who can demonstrate concern for their personal growth. Of course, in business a leader cannot be concerned about personal growth as it pertains to nonbusiness areas, such as a person's romantic life or personal financial acumen. Rather, people respond to leaders who are able to provide them with a continuing stream of challenging projects that are appropriate to their current skills, abilities, and temperament.⁹

12.3 LEADERSHIP SKILLS

Performance in a start-up or growing technology venture does not just happen. Committed and skillful entrepreneurs carrying out specific roles as leaders or managers make it happen. The entrepreneur as a leader of a growing venture influences performance by defining objectives, recognizing and minimizing obstacles to the achievement of those objectives, and effectively planning, organizing, and controlling resources to attain high levels of venture performance. This section focuses on the leadership skills that must be applied to everyday situations experienced in start-up technology ventures.

Learning to lead effectively as the venture grows can be a difficult challenge for many technology entrepreneurs. Most first-time technology entrepreneurs have never received formal training in management. Their only point of reference may be the individuals who led them at some point in their careers. And *those* individuals may also never have been exposed to formal leadership training.

It is not necessary to have had formal leadership training to be an effective leader, but the concepts and tools provided via formal training can lead to more effective performance. Entrepreneurs who do not adapt to leadership roles often have to cede control of their venture to more experienced people. This can work, and many technology entrepreneurs have done so. But for those entrepreneurs who want to stay engaged at the forefront of their venture over the long haul, developing personal leadership skills will be essential.¹⁰

Most investors and experienced entrepreneurs will readily attest to the importance of leadership in start-up ventures.¹¹ When it comes to judging the success of a start-up technology venture, actual performance is all that matters. Good intentions, promises, and wishes will not matter to the entrepreneur or to investors if solid execution and performance is lacking. Fortunately, most of

the key skills and abilities necessary to execute are learnable, and the technology entrepreneur who is willing to learn has the best chance to succeed.¹² For most entrepreneurs, learning to lead people should occur both via reading and understanding, and through on-the-job-training.

Regardless of the venture type, entrepreneurial leaders must possess and seek further to develop many critical skills. A **skill** is an ability or proficiency in performing a particular task. Leadership skills can be learned and developed. In general, all technology entrepreneurs as *leaders* should seek to develop skills in the following areas:

- Analytical
- Decision making
- Communication
- Conceptual
- Resilience
- Team building
- Self-awareness

12.3.1 Analytical Skills

Analytical skills involve using **repeatable approaches or techniques to solve organizational problems**. In essence, **analytical skills** are concerned with the ability to **identify key factors** affecting venture performance, to understand how they interrelate and how they can be managed to achieve venture goals. Analytical skills include the ability to diagnose and evaluate the issues that face the venture on a daily basis. They are needed to understand problems and to develop action plans for their resolution.

Analytical skills also include the **ability to discern and understand how multiple complex variables interact, and to conceive of ways to make them interact in a desirable manner**. These skills include the ability to analyze one's own talent, as well as the talent of others associated with the venture. The entrepreneur who is able to analyze and accept his or her own strengths and weaknesses will be in a better position to achieve performance goals. The entrepreneur who has accurately analyzed his or her own capabilities will hire those who complement strengths and compensate weaknesses.

Most technology entrepreneurs already possess strong analytical skills, but they are **mostly focused on technology issues rather than business issues**. Running a venture requires shifting focus from analyzing the venture's key technology as a technology to analyzing it as a business. Technically, a venture's offerings may be the best in the world. From a purely business perspective, however, the entrepreneur must assess and analyze the potential market, the costs associated with bringing the product to market, the scalability of the enterprise over time, the financial resources that will be required to build and grow the venture, and

many other things. We have discussed many of these analytic tools throughout this book. Successful technology entrepreneurs learn to be adaptable in their thinking, developing an ability to shift their analytic focus between technical and business issues as required.¹³

12.3.2 Decision-Making Skills

All entrepreneurs must make decisions, and the quality of these decisions determines their degree of effectiveness. **An entrepreneur's decision-making skill in selecting a course of action is greatly influenced by his or her ability to focus and guide the venture despite ambiguous information and conditions.** One of the hallmarks of start-up ventures is their ambiguity.¹⁴ They are often ambiguous with respect to their market, their value proposition, their competition, and even their ability to persist. Entrepreneurs must learn to **resist pressures for a quick fix when problems and issues arise.** They must learn to live **with uncertainty and ambiguity, and to recognize often subtle differences** between actions that work and those that do not work.¹⁵

Decision making in start-up ventures is almost always done in the face of irresolvable ambiguity. This is something that the technology entrepreneur must learn to accept. Yet, the ambiguous nature of many of the issues the entrepreneur faces must not lead to inaction or paralysis. The entrepreneur must have a predilection toward action and must be able to make decisions in the face of incomplete information. The term that is often used to describe this situation is **satisficing**. **This means that the entrepreneur as manager must choose the best solution to a problem despite incomplete information about both the problem and the likely outcome of the decision that is taken.**¹⁶ Choosing the *best* alternative is a vastly different decision than choosing the *correct* alternative. Making a decision among alternatives in running a start-up venture is different than selecting among alternatives on a multiple choice exam or in crafting a solution to a problem posed in a textbook. In the world of the start-up, there usually is no *correct* course of action, but there often is a *best* one. That is the one the technology entrepreneur must learn how to identify, select, and act upon.

The analysis of decision alternatives likely will alternate between technology and business issues. Technology entrepreneurs must make choices about the technology development road map and the business development road map. This will require flexible analytical skills, as we discussed above. But being flexible should not lead to an inability to decide firmly and move ahead. Most technology entrepreneurs are very good at analysis. To be entrepreneurial, however, requires an equal ability to take action once a decision has been taken.

12.3.3 Communication Skills

Since entrepreneurs must accomplish much of their work through other people, their ability to work with, communicate with, and understand others is important.¹⁷ Effective communication, written and verbal, is vital for venture performance. The skill is critical to success in every venture, but it is crucial to entrepreneurs who must achieve results through the efforts of others. **Communication skills involve the ability to communicate in ways that other people understand, and to seek and use feedback from others to ensure that one is understood.**

The entrepreneur's communication skills will also be tested among investors, shareholders, and other stakeholders. One of the primary ongoing tasks for the technology entrepreneur is **fundraising**. Fundraising requires that the entrepreneur be able to tell a succinct story about the venture's offerings and market, its value proposition, and its business model. This short story about the venture is sometimes referred to as its **elevator pitch**. The elevator pitch is so named because it is a short and clear overview of the venture that might be told to a potential investor during a chance meeting on an elevator. Generally, an elevator pitch should take no more than one minute and should be clear and even a bit exciting.

In addition to the elevator pitch, the entrepreneur must be able to communicate the intent and direction of the venture via a **written business plan**. The business plan is a required document when speaking to potential investors, lenders, or other key stakeholders. Business plans should be supplemented by a one- to two-page executive summary.¹⁸ **Substantial writing skills are required to boil an entire business plan down to an executive summary.** There are firms that provide entrepreneurs with fee-based support in writing and editing business plans and executive summaries, but research has indicated that it is better for the entrepreneur to write these documents.¹⁹ Not only is there potential value to the entrepreneur in the research and learning that goes into business plan writing, there is also a need to constantly update and/or adjust the plan.

Finally, the entrepreneur must be skilled in **presenting the plan to investors, lenders, and others**. The verbal ability to articulate the intent and goals of the business, as written in the plan, requires the ability to understand and adapt communication style to the audience. For example, many technology venture entrepreneurs must present their business plans to others who are not as technically adept as they are. Speaking in **technical jargon or using complex graphics to convey the business idea** will likely not produce the desired results in such cases. The technology entrepreneur must adapt communications to match the ability of the other party to the discussion.

12.3.4 Conceptual Skills

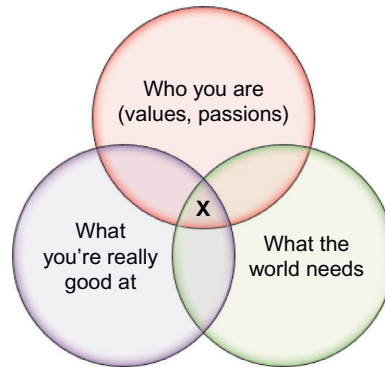
Conceptual skills consist of the ability to see the big picture, the complexities of the overall organization, and how the various parts fit together. Entrepreneurs use their conceptual skills to develop long-range visions for their companies. Conceptual skills enable the entrepreneur to project how prospective actions may affect a company one, three, or even five years in the future. The single most important foundation of entrepreneurial success today is leadership—especially visionary leadership. It is critical that every venture develop a vision and mission to guide the many choices that it must make in the present and into the future.

Visionary companies possess values based on a core ideology that is unchanging and transcends immediate customer demands and market conditions. The unifying ideology of visionary companies guides and inspires people. Coupled with an intense “cult-like” culture, a unifying ideology creates enormous solidarity and *esprit de corps*. Lastly, visionary companies subscribe to what some have called “big, hairy, audacious goals” (BHAGs) that galvanize people to come together, team, create, and stretch themselves and their companies to achieve greatness over the long haul.²⁰

In their book *Built to Last*, Jim Collins and Jerry Porras advocated that entrepreneurial leaders should develop BHAGs. The authors elaborate that “a true BHAG is clear and compelling, serves as a unifying focal point of effort, and acts as a catalyst for team spirit. It has a clear finish line, so the organization can know when it has achieved the goal; people like to shoot for finish lines. A BHAG engages people—it reaches out and grabs them. It is tangible, energizing, highly focused. People get it right away; it takes little or no explanation.”²¹ Exhibit 12.2 provides an illustration of how a BHAG combines passion, expertise, and economic reality.

Another key skill the entrepreneurial leader needs to develop is **tolerance of ambiguity and uncertainty**. In fact, the lead entrepreneur should develop the ability to absorb ambiguity, enabling the rest of the team to focus on the BHAG. The uncertainty that all new ventures experience can only be relieved over time via market exploration and discovery. The entrepreneurial leader must decide on which experiments the venture will run and how to interpret the results to enable forward progress.

Technology ventures that have achieved the highest levels of success have often been launched by visionary founders. Steve Jobs of Apple, Next, and Pixar is perhaps the most visible of these visionaries. His overarching vision for Apple was to create “insanely great products.” This simple vision elicited incredible loyalty and effort from employees and provided the world with a stream of novel and path-breaking products for more than two decades.

**EXHIBIT 12.2**

Creating your BHAG: “X” marks the spot.

Other visionary leaders have used their focused visions to revolutionize industries as diverse as package delivery, grocery retailing, and airlines. Fred Smith founded FedEx on the vision of delivering packages overnight across the entire United States. His vision was that people would call FedEx for packages that “absolutely, positively had to get there overnight.” Whole Foods founder John Mackey created a new concept in grocery retailing based on his vision of “whole foods, whole people, whole planet.” This vision permeates the culture, operations, and merchandise of Whole Foods. Herb Kelleher founded Southwest Airlines on his vision that an airline could provide great “no frills” service at a low price. Southwest subverted the traditional wisdom of the industry and continues to be one of the few profitable airlines in the United States. Even its stock trading ticker symbol—LUV—expresses its customer-focused mission and vision.

12.3.5 Resilience Skills

Resilience is one of the more central characteristics required of the entrepreneurial leader. The turbulence that most start-ups endure is often difficult to manage emotionally, financially, and physically. The entrepreneurial leader must be the one who maintains the equilibrium of the venture through the turbulence. Everyone possesses some ability to remain strong in the face of ambiguity, uncertainty, and stress. The entrepreneurial leader should be exceedingly aware of his or her personal capacities in this area and strive to improve through experience, reflection, and personal growth. Increased resilience will happen naturally through experience for most entrepreneurs as they struggle, fail, and recover. But there are things the entrepreneurial leader can and must do to enhance personal resilience. For example, we discussed in Chapter 3 the need for emotional intelligence. This means that the entrepreneurial leader is aware of personal emotions and uses proven and tested strategies to manage

them. For example, if the venture is experiencing difficult times financially, the entrepreneurial leader must control personal feelings about those difficulties to prevent those feelings from affecting the performance of the venture team. If the leader walks around with a “woe is me” look or grumbles aloud about the state of the venture’s finances, it is likely to have a negative effect on team performance. At a time when performance is needed more than ever, the entrepreneurial leader’s lack of emotional control could subvert that performance. The Mini-Case below highlights one young entrepreneur who preserved through several failed ventures to achieve eventual success.

MINI-CASE

Resilience Proves Vital for One Tech Entrepreneur

Jesse Schwarz was always trying new things to make money. In college, he ran a small used car lot with his friend. Later, he opened a chicken restaurant that lasted a total of 30 days before going under. Dusting himself off from that failure, Jesse launched a new business providing high-end coffee makers to professional offices. This lasted until his foreign suppliers proved too unreliable to build a scalable business around. With a dwindling savings account, a wife, and two kids, Jesse knew his next venture had to be a hit. So, rather than investing in some new product, restaurant, or other scheme, he decided to invest in himself. Even though he had no technical background, Jesse decided to teach himself how to succeed in e-commerce. He learned everything he could from free resources on the Internet. Eventually, he decided to launch a service that would provide consumers with an easy to understand comparison shopping site for high speed Internet service providers. Using Commission Junction as his primary service for managing click-through transactions, Jesse built a thriving business. Within months he was making more than \$3,000/month, and within a couple of years his venture was cash flowing more than \$50,000/month. Jesse’s resilience through several failed ventures led to his ultimate success.

Source: Duening, T.N. 2011. *Experience Starting an Internet Marketing Company*. (Colorado Springs, CO: Businesses2Learn Publishing.)

12.3.6 Team-Building Skills

Rare is the lone-wolf entrepreneur. Most technology ventures are too complicated for a single person to operate without help from others. Successful entrepreneurs are usually talented team builders. They are able to **attract other people to their vision and then build them into a coherent team, all focused on pursuing the same goals**. Team building is based on **identifying gaps in talent and skills** that are required for the venture to succeed, then **finding people with these necessary traits**. Successful entrepreneurs are able to **attract employees, advisors, and investors who provide the venture with missing talent** that is required to achieve venture goals.

Building successful teams requires each of the skills mentioned above and also a strong helping of humility. Successful technology entrepreneurs attest to the

importance of hiring and motivating people more talented than themselves. In fact, the strongest performing entrepreneur-leaders are not afraid to hire people who are more talented than they are. This statement may seem obvious, but it is not uncommon for technology entrepreneurs to feel intimidated by people who are more talented than they are. After all, throughout their formal technical education they were compared with, and competed against, other technically talented people. That competitiveness does not just disappear; an entrepreneur has to reorient his or her thinking to overcome the tendency to compete. Technology entrepreneurs must replace their feelings of competitiveness among their peers with competitiveness as a business manager, which means swallowing one's pride and hiring talented people that will help the venture compete in its market and achieve its goals.

The foundation of successful teams is simple: **clarity of goals and responsibilities**. Highly talented people are usually self-motivated to a high degree. They want to do a good job and enjoy working on goals that are clearly defined and are measurable. Technology entrepreneurs have learned that they can expect a high degree of commitment from talented people without a lot of managerial intervention. That is, talented people usually perform at their peak when their leaders provide them with goals and then get out of their way. Teams organized around specific projects and goals will often self-organize. Google, for example, allows its engineers to choose the projects that they work on, with very little day-to-day oversight on their work. This relaxed approach can only work in an environment where the vision and goals are clear and understood by all and where rewards and incentives are directly linked to performance that helps the venture achieve its objectives.

12.3.7 Self-Awareness Skills

Improving yourself in any role you are in, such as being a student, a parent, a friend, or a leader, requires taking control of determining who you are by conducting your own personal analysis. You need to think about situations in which you succeeded. What were the factors that led to that success? Hard work? Good planning? Problem solving skill? Patience? Examining previous experiences involves self-talk, reflection, and analysis.

Unfortunately, memories often leave out data, information, and critical incidents. **Creating a daily journal or diary is a good method to keep track of vital components of your successes.** Keeping a journal for 10–20 days about your interactions with other people—friends, colleagues, teachers, bosses, and vendors—requires discipline. The journal can be simply structured by using a date and summary comments about:

- What I did today
- Whom I interacted with today

- What kind of thoughts I had today
- What I used to solve any problems or new situations I was faced with

Simple, concise journal entries will help you conduct a review and analysis. About 10 days of entries will provide, at a minimum, a picture of how you typically behave and think.

A second method of **data gathering for self-awareness is to complete self-assessment surveys**. They can be a confidential source of information that only you control. To improve any skill, there is a need for feedback. Online assessments about your personality, skills, abilities, and attitudes can provide eye-opening feedback for you.

Friends and colleagues are another source of feedback. Some colleagues and friends will be reluctant to provide honest, accurate, and revealing feedback. You may have to create a framework and presentation that explains clearly why you need their feedback. Asking for their help to improve your understanding and knowledge of “who you are” can be convincing when presented as a request for assistance.

Matching the feedback of others with your own self-awareness analysis is educational and can be invaluable. You learn firsthand how others see you and it enables you to match this information with your self-concept. Discrepancies can occur and need to be evaluated carefully. The evaluation should consider the information—your own and that of others. Once a thorough evaluation is completed and analyzed, it is then time to consider what skills you need to work on to improve. What skills do you need to be successful in your life, career, and job? The feedback process will definitely provide you with insight into areas that need to be sharpened and refined. Overall, your self-assessment should focus on three major areas as a means of improving your personal leadership skills: personality, values, and attitudes.

12.3.8 Personality

Personality is a set of physical and psychological variables that create individual uniqueness. A key personality factor is self-concept; the view you hold of yourself as a physical, social, and spiritual person. Two related aspects of self-concept are self-esteem and self-efficacy. Self-esteem is a person’s belief about his or her own worth. People with high self-esteem see themselves as worthwhile, vital, and important. Self-efficacy is a person’s belief that he or she can successfully accomplish a job, a task, or an activity.

12.3.9 Values

Values are a person’s preferences concerning appropriate courses of action. Values provide a picture of a person’s sense of what is correct, fair, or right.

Exhibit 12.3 Rokeach's Values Classification.

Terminal Values	Instrumental Values
A comfortable life	Ambition
An exciting life	Broad-minded
A sense of accomplishment	Capable
A world at peace	Cheerful
A world of beauty	Clean
Equality	Courageous
Family security	Forgiving
Freedom	Helpful
Happiness	Honest

Parents, mentors, friends, teachers, and role models, in general, impact a person's values. Since learning and experiences differ from one person to another, values are also different.

The noted psychologist Milton Rokeach developed two broad value categories. Terminal values reflect a person's preferences concerning the "ends" to be achieved. Instrumental values reflect a person's preferences for the means to be used in achieving end states.²² Exhibit 12.3 presents Rokeach's classification of his values system.

Empirical research has determined that both terminal and instrumental values differ across groups (e.g., leaders, union members) and individuals.

12.3.10 Attitudes

Attitudes can be characterized in various ways. First, they tend to persist unless something is done to change them. Second, attitudes can be favorable or unfavorable. Third, attitudes are directed toward some object and reflect a person's feelings and beliefs. Thus, attitudes are a persistent tendency to feel and behave in a particular way toward some object.

Attitudes can be depicted as consisting of three components: emotion, information, and behavior. The emotional component consists of a person's feelings or affect. The informational component consists of the beliefs and information you have about an object. It does not matter whether the information is correct or incorrect. The behavioral component consists of your tendencies to behave in a certain way. Only the behavioral component can be observed by others. One cannot see emotions unfold or the beliefs a person has about something. These two components must be inferred.

Attitudes serve a number of functions. First, attitudes help people adjust to their work environment.²³ When employees are treated well, fairly, and

honestly, they tend to develop positive attitudes. When employees are embarrassed, intimidated, and threatened by leaders, they are likely to adopt negative attitudes toward others, the job, and the employer. Second, attitudes help you defend your self-images. By changing and altering attitudes, a person is able to keep a balanced self-concept and ego. Keeping one's self-image positive and in balance are important for being motivated to perform well. Third, attitudes provide the basis for expressing your values. For example, a person who has a strong work ethic will tend to voice attitudes about the importance of providing "a good day's work for a good day's pay." The person's core values are articulated to others and this provides a view of what the person represents.

12.4 ENTREPRENEURIAL LEADERSHIP AND ETHICS

Ethics is often a difficult topic to address in a business-oriented textbook. For the most part, people who excel in business are not deeply familiar with the terminology and concepts that comprise a standard course in ethics. Many businesspeople also regard the topic as "fuzzy" and difficult to comprehend because there are so many differing perspectives on the topic. In fact, many businesspeople live daily by the adage "if you can't measure it, it doesn't exist."

Ethics can be simple or hard. It is simple when individuals decide on a few basic principles that will guide them in their lives and then stick with these principles, come what may. It is hard when people believe that ethics can be nuanced and that situations must be judged independently to know what the right course of action might be. This textbook does not have enough space to take the nuanced approach to understanding entrepreneurial ethics. As such, it takes a more straightforward, principles-based approach to understanding this important topic.

Fortunately, it does not require that you have a master's degree in philosophy to understand some basic principles of entrepreneurial ethics. One very successful media entrepreneur, Karl Eller, summed up entrepreneurial ethics in the title of a book he wrote about his own successful ventures: **"Integrity Is All You've Got."**²⁴ Integrity is defined, basically, as doing what you say and saying what you do.

Integrity is a good starting point for a set of ethical principles. It would be difficult to argue the opposing perspective that integrity is not important, or that a lack of integrity is important to business success. In fact, most successful businesspeople will attest to the role that integrity plays in their ability to make things happen. Most business is transacted within a framework of trust. Businesspeople trust that those with whom they are associated will follow through on commitments and contracts to which they are counterparties.

Although contracts and commitments are normally also governed by legal rules, businesspeople do not want to have to resort to lawyers, lawsuits, and the court system every time they want to achieve a business goal. Rather, they want to work with people who will deliver on promises. A single failure to fulfill a contractual obligation, or to honor one's word, or to deliver on a promise can ruin a reputation.

Another principle that should be closely aligned to integrity is honesty. In business, the virtue of honesty is also sometimes referred to as "transparency." This simply means that the venture is operating each day in a manner that would pass a formal financial audit, and it is operating generally according to what is referred to as "good faith." This term means that counterparties to a contract or business relationship are using their best efforts to deliver their end of the contract. Clearly, not all business transactions or arrangements live up to their expectations. However, parties that act in good faith and in a transparent manner generally will not suffer any negative legal consequences as a result of a failure. The free-market system is often described as a "profit and loss system." That is, business transactions occasionally fulfill and even exceed profit expectations. On the other hand, oftentimes they do not, and parties to the transaction suffer financial loss. This is normal, and parties can recover to work together again in the future if they believe each has operated honestly and in good faith, and will likely act similarly in the future.

A final ethical principle that we will discuss in this chapter and that seems essential for business success is humility. Humility has often been described as a character trait, but it can also be expressed as an ethical principle. An individual that expresses humility is one that recognizes that many of the good and bad things that happen in life and in business are often a function of chance events. Consider the founders of Google, Sergey Brin and Larry Page. Certainly these are two shining stars among the technology entrepreneurs of our time. They not only have created a singularly impressive company, but they have achieved incredible levels of personal wealth. Their success, no doubt, can be attributed to their respective talents in computer programming and website design. These talents are clearly relevant to the technology age in which we live. What if Page and Brin had come of age in 1890 rather than 1990? Would their unique talents have been as applicable in that long-ago time period? Clearly, they would not have founded Google. Not only was there no Internet in 1890, there were no computers, databases, or even electric power. The point is, despite the great success of Google, Page and Brin have to admit they were lucky to have been born during an age when their unique talents are highly prized and rewarded. That would not have been the case had they come into the world 100 years earlier.

Most success is attributable to a complex mix of personal talent, fortunate circumstance, and chance events. Entrepreneurs who recognize this will be able

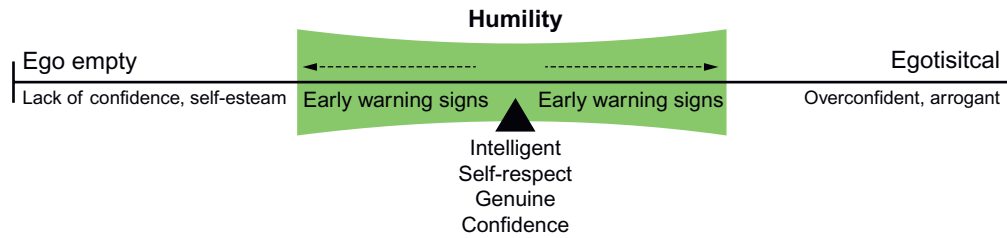


EXHIBIT 12.4

A definition of humility. (Source: David Marcum and Steven Smith. *Egonomics: What Makes Ego Our Greatest Asset (or Most Expensive Liability)*. (Fireside Publishing, 2007))

to maintain an authentic humility during times of success and will also be more balanced personally during difficult times. In fact, several authors have coined the term “egonomics” to refer to the importance of keeping one’s ego in check and developing humility.²⁵ These authors list four warning signs that indicate when an individual’s ego has taken over:

Being comparative When we’re comparative, we tend to either pit our strengths against another’s weaknesses, which may lead us to an exaggerated sense of confidence, or we compare our weaknesses to their strengths, which can cause negative self-pressure.

Being defensive “When we can’t ‘lose,’ we defend our positions as if we’re defending who we are, and the debate shifts from a we-centered battle of ideas to a me-centered war of wills.”

Showcasing brilliance “The more we want or expect people to recognize, appreciate or be dazzled by how smart we are, the less they listen, even if we do have better ideas.”

Seeking acceptance “When we equate acceptance or rejection of our ideas with acceptance or rejection of who we are, we ‘play it safe.’ We tend to swim with the current and find a slightly different way of saying what’s already been said as long as acceptance is the outcome. That not only makes us a bland follower, but an uninspiring leader.”

It is important to recognize how humility fits within the spectrum of possible character orientations, from a completely empty ego to egotism. [Exhibit 12.4](#) provides a useful illustration that humility is in the middle of these two ends of the spectrum. According to this illustration, humility represents a healthy and intelligent understanding of one’s unique talent and skills, but avoids the destructive potential of overconfidence and egotism.

12.5 CHAPTER SUMMARY

This chapter has explored entrepreneurial leadership. As we mentioned throughout this chapter leadership is developed over a lifetime of practice, reflection, and adjustment. There are no absolutes in leadership—**no one is a leader in every circumstance**. Each entrepreneurial manager and leader must find the practices that work best for him or her according to the circumstances encountered.

Despite the lack of absolutes, however, we have explored principles that have stood the test of time and are likely to be highly applicable to whatever technology venture you may be considering or already are operating. For example, the ethical principles of integrity, honesty, and humility likely will apply across any type of venture based on the fundamental rules of good business practice.

Additionally, the central skills of entrepreneurial leadership should form a basis for **continued learning**. As we stated, many technology entrepreneurs have not been exposed to formal training in the management or leadership sciences. As such, many learn the art and craft of managing and leading via “on the job-training.” While this is laudable and acceptable, in many cases the venture environment is too complex to allow this relatively slow and inefficient learning process. While it is not necessary for entrepreneurs to have had formal training in leadership, it does help to have a conceptual framework available to interpret the events and situations that are experienced when operating a venture. Conceptual frameworks provide some structure to the chaos of leading. The central skills discussed in this chapter are meant only as a starting point to further reading and exploration of the concepts and principles that define effective managing and leading.

The major takeaway from this chapter is to continue to study and learn about leadership. No single book or management guru knows everything about each of the important topics in this book. It is imperative that you do not become **discouraged by the fact that there is no single, correct answer to management and leadership questions**. Rather, this knowledge should lead to a constant pursuit of excellence in managing and leading the technology venture. This constant pursuit will lessen the chance that mistakes will be repeated and enhance the likelihood of success.

KEYTERMS

Leadership The ability to influence through communication of the activities of others, individually or as a group, toward the accomplishment of worthwhile, meaningful, and challenging goals.

Influence The ability to achieve goals and objectives through other people.

Skill An ability or proficiency in performing a particular task.

Analytical skill The technology entrepreneur will use analytical skills to make sense of all the data the venture uses to manage its performance.

Decision making skill Technology entrepreneurs must learn to be decisive, often in the face of great uncertainty and/or ambiguity.

Satisficing Choosing the best, but not necessarily the optimum, option among various courses of action.

Communication skill The ability to communicate effectively with the venture’s various stakeholders.

Elevator pitch A short, clear overview of the venture that might be told to a potential investor in a short elevator ride.

Conceptual skill The ability to see the big picture and how the various parts of the venture fit together.

Team-building skill The ability to identify the gaps in talent the venture needs to succeed and then bring in people to fill those gaps and get them to perform as a team.

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- Covey, S.R., 2013. *The 7 Habits of Highly Effective People*, Deluxe ed. Simon & Schuster, New York.
- Greenberg, D., McKone-Sweet, K., James Wilson, H., 2011. *The New Entrepreneurial Leader: Developing Leaders Who Shape Social and Economic Opportunity*. Berrett-Koehler Publishers, San Francisco.

WEB RESOURCES

- http://www.1000ventures.com/business_guide/crosscuttings/leadership_entrepreneurial.html: This site covers the topic of entrepreneurial leadership exclusively. While not the most visibly appealing site ever posted to the web, it does have a lot of resources, ideas, and leadership tips.
- <http://www.entrepreneur.com/management/index.html>: This website is hosted by *Entrepreneur* magazine. This portion of the site provides a lot of information about management and leadership challenges that most entrepreneurs face. There are plenty of articles, tips, and case studies for learning.
- <http://www.inc.com/resources/leadership/>: This site is hosted by *Inc.* magazine. This portion of the site focuses on leadership issues that entrepreneurs face.

ENDNOTES

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