


The Structured Start-Up

WORKBOOK


MODULE 12:
LEADERSHIP AND TEAM
DYNAMICS, BUILDING
THE TEAM,
CO-FOUNDERS AND
C-LEVEL TEAM

TOPICS COVERED:

Building a successful leadership team, key traits of helpful early-stage contributors, and the benefits of finding a co-founder.

**LEARN WHAT
MATTERS
MOST**

WHO IS YOUR LEADERSHIP TEAM? WHO ARE YOUR CO-FOUNDERS?

“When you start something, the first and most crucial decision you make is whom to start it with. Choosing a co-founder is like getting married, and founder conflict is just as ugly as divorce... Founders should share a prehistory before they start a company together—otherwise they’re just rolling dice.”

— Peter Thiel, *Zero to One: Notes on Startups, Or How to Build the Future*

First, some definitions, which I have developed:

Founders and **co-founders** work full-time once the company is funded. Each of them have at least more than 10% equity in the company at origination, although usually each should have more than 20% at the outset (which will be subject to dilution). In the formation stage, founders and co-founders do not necessarily need to be full-time; however, once you reach a level of financing or revenue, they should be full time.

The leadership team is made up of the people performing the high-level (aka C-Suite) functions for your team – financial, marketing, technical, operational, scientific, or other high-level management skills. Almost always, the initial leadership team consist in part of founders, possibly the first key hire, and part-time advisors. An early-stage company simply does not have the resources to hire beyond these figures at first.

Inevitably, doing it alone is not an option. No one person can singlehandedly carry an organization to any level of size. Pulling people in – as co-founders, executives, employees, and so forth -- is one of the larger challenges entrepreneurs face.

Do entrepreneurs need co-founders? And how do they find them? These questions are tremendously important; they're also seemingly simple, but finding the right solution can be perplexing. Unfortunately, no good answers to these questions exist, and levels of success in answering fall over the map. From a data perspective, the only thing I've seen suggesting that having a co-founder brings success is an informal review of Alabama Launchpad and Velocity Accelerator (and its predecessor) winners and their subsequent successes. The winners with co-founders were more likely to be active in subsequent years.

I think the underlying benefits of having a co-founder are:

1. It makes you real; and
2. It provides mutual accountability.

However, both of those attributes certainly can be accomplished alone.

As you work through your early-stage contributors, there are three key values that individuals bring to the company:

- Time
- Experience
- Money

Rare is the person who offers all three. And usually, these values are not fixed – maybe they bring three-fourths of their time and some money or experience crucial to the company's growth. I believe that all three should be valued in the initial share distribution, although it is tough to put objective measures on all of these. You also need to design some fluidity into the model as you move through the idea and your company progresses. People don't always stay with the venture, either financially or physically. Working through expectations from the start is critical; it is like a marriage.

As you answer these questions, you ultimately will have to figure out what gaps you have to fill both in terms of technical expertise and softer skills. Each leadership team is unique to the project, but generally, you need to work through who will handle:

- Finances
- Technology
- Operations
- Marketing

And the softer side is important as well. The smartest, most competent industry veterans with money may fail if they are dysfunctional. This part is most difficult to handle, but most critical to assess. Some rules I have had (although I still fail more often than not):

- No jerks
- Get people with a growth mindset
- Date before you marry

Is it even possible to get your initial team right when empirical evidence often proves otherwise? Contrast one of Peter Thiel's three rules for start-ups – "a start-up messed up at its foundation cannot be fixed" – with this advice from Elad Gil's High Growth Handbook:

"Often, there is no right answer to how to structure your organization. Rather, it is a series of tradeoffs. Two different structures may be equally "good" or "bad." Don't sweat it too much – ultimately, if you make a mistake, it will be painful, but you can undo it."

Again, there's no good answer. In my experience, you get a finite amount of mistakes; you just never know the number you get.

**CONFLICTING
DYNAMIC**

QUESTIONS TO CONSIDER

1. Who is your leadership team? Is this team complete?

2. Who are your co-founders? If you don't have co-founders, do you need them?
