

Team Risk

What is team risk?

Given that early-stage startups have such small teams, the nature of the startup leaders, the dynamic between them, and how they build a team around them, can be a determining factor in their success. Moreover, the charisma, control, and abilities of the founders of a company are a clear determining factor when it comes to securing funding, as many investors say they bet on the founders, not the business (as the business models of early-stage startups tend to evolve quite quickly).

Skill sets and leadership abilities

The first risk is that leaders do not have the requisite skills or abilities to run and grow a startup. Given the dynamic, unpredictable nature of startup life, founders need to be able to roll with punches and be flexible as conditions evolve, even as they stay true to their vision and passion. In these small teams, founders must wear multiple hats, be able to move seamlessly between running the show and getting into the weeds to fill in wherever there is a need, and must be able to lead and inspire a fast-growing and dynamic team.

Temperamentally, a startup founder also needs to be able to rally a team. They need to be able to motivate the group and create buy-in for a vision that may be intensely personal to their own experience and may be difficult to articulate, especially for the most pioneering models. Turnover within a small team can be incredibly disruptive, so creating a positive environment and

instilling commitment to the business is critical to successfully leading a team.

Some of these skills and abilities can be assumed if the founder has started a company previously, or if he/she has been trained at particular schools or companies that are known for instilling such skills. These indicators are good proxies for such abilities but are not a guarantee the founder is up to the challenge. Moreover, such assumptions can often lead to discrimination against local, young, or women founders who may not have equal access to such work or education opportunities.

Teamwork and communication

Beyond the founder, an additional team risk has to do with the interpersonal relationships between team members, especially between founders (if there are two or more). A strong leadership team means that there is open, healthy conversation between the members that is grounded in respect for and balance between each other's skills. Either too much disagreement or none at all suggests that ideas and decisions may not be getting considered deeply enough.

The same goes for team members across departments. If different teams work in silos, don't communicate with one another, or feel an unhealthy sense of competition this can lead to lack of productivity and, often, turnover. For instance, there should always be a communication channel and feedback loop

between customer service and sales teams who interact with customers on a daily basis, and the founders, product managers and tech teams who should consistently incorporate feedback coming from customers into their strategies.

A good dynamic between founders and other team leads can serve as a good foundation for ensuring strong interpersonal relationships between team members and an overall good company culture. Teams need to have adequate room to discuss and voice opinions, without damaging the feeling of trust and loyalty between its members. This means investing in team building as well as finding the appropriate balance between

friendliness and collegiality. Startup cultures are created first and foremost by the startup founders, so it's important to spend time defining a set of values the company will live by and defining internal processes and team activities accordingly.

As well, consistent and clear communication, and a sense of transparency coming from leadership can go a long way toward building internal trust and camaraderie among members of the team. Even junior members should feel they have a voice and an understanding of how the company is doing and where it's headed.

Key factors of team risk

- Teamwork
- Consistent communication
- Leadership skills
- Previous startup experience
- Positive culture
- Clear values
- Skill level
- Balanced skill sets

Mitigation strategies

Upskill the leadership

The first mitigation strategy is to ensure startup leaders are adequately skilled and have the right attitude, either by nature, or acquired via training or mentorship. There are a number of training, incubation, and bootcamp opportunities for founders to develop their abilities as well as their perspectives on how to lead. Similarly, some masters programs are known for their ability to help entrepreneurs build skills and better lead a startup. Utilizing such resources or joining such programs to build the leaders' skills can be a good strategy for avoiding problems with leadership approaches. Startup founders can also benefit from setting up a Board of Directors or Advisors that can guide them as they build their team, or even investing time in having a personal leadership coach.

Set your HR policies early

Startups often worry about the HR and management challenges of building a team too late. There is established human resource and team-building literature on how to build teams and create loyalty between the members early in a company journey, and the pay-off is greater than the upfront time investment. There should be clear, established HR policies from very early on, especially when it comes to onboarding, promotions, performance improvement plans, bonuses, and other areas of management that may become areas of competition and discontent between team members. These policies should be as consistent as possible for all employees to ensure fairness and transparency in decision-making. This should also include measures and channels for feedback and complaints that allow team members to report discomfort and problems without having to approach their direct manager, to protect them from repercussions.

Define areas of responsibility to create a culture of accountability

Another mitigation strategy to ensure that teams work well together is to build a clear, well-structured organigram in which each member (and particularly each founder) has clear tasks and areas of responsibility. When responsibilities and skill sets are overlapping, it can be a recipe for discontent and disagreement, and lack of accountability for shortcomings. Building accountability and motivating team members to deliver is extremely important to mitigate execution risks as well.

Create a well-defined internal communications strategy

Especially in the early days, the team should hear from leadership often and should feel comfortable approaching them with challenges or feedback. Setting up a regular town hall, internal newsletter, all hands meeting, or other form of company-wide communications platform can keep everyone feeling included, informed and part of a cohesive team.

Resources

- [What makes a successful startup team](#)
- [Y Combinator's Startup School](#)
- [Startup Course](#)
- [Foundr](#)
- [Founder Institute](#)
- [Startup Leadership Program](#)
- [Build a team that won't sink](#)
- [How to build a company culture](#)
- [Onboarding new hires - a Practical Starter Guide](#)
- [Set up a strong internal communications strategy](#)
- [Employee Engagement Surveys](#)
- [Performance management](#)
- [Hiring best practices](#)
- [Startup employee stock options](#)