

Creating the Super Team

By Andy Freire

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Behind every able man, there are other able men.

CHINESE PROVERB

The idea that behind every great enterprise there is a great entrepreneur applies to the tasks performed in it. Behind great logistics there is always a great entrepreneur focused on logistics, and the same thing applies to marketing, administration and all areas of business. If the project is excellent, there is a first rate team behind the entrepreneur. An entrepreneur is wrong to think that he alone determines the success of this project. Individual heroes do not exist. Only teams succeed.

My philosophy is that an A level entrepreneur wants A+ people in his team whereas a B level entrepreneur wants C level people. Since the beginning of Officenet, Santiago and I have always looked for more able people than ourselves. And we have found plenty! We did not care for age or curriculum, just talent. If there was talent, we wanted it on board! Then we would see how to exploit it. The process was similar at Axialent with Fred.

THE SEARCH

Before forming the initial Officenet team, our experience searching and selecting personnel was next to none. We had participated in some selection processes at Procter & Gamble, but we had never hired employees or had people in our charge. What we did then was to see some people we respected and who were very experienced in the subject so that they would help us understand the necessary steps of a good process. We asked them for help in selecting the media to publish the announcement, in writing the ads and in understanding the selection mechanisms we should employ.

In our Officenet business plan, we had defined seven personnel profiles for which we needed to hire:

- Pick-up driver
- Warehouse packager
- Administrative assistant
- Telemarketer
- Administrative manager
- Accounts executive
- Large accounts executive

We made a table or matrix of scores for each profile. The idea was that each profile had an associated series of desired competencies. We assigned each characteristic a percentage of the score, which added together produced the total score.



For example, the packager profile scheme was:

- 30% quality of education
- 30% previous work experience
- 20% past job permanence (we did not want people with a high rotation probability, but rather people we could train and that would remain in the company for a long time)
- 15% home – warehouse proximity
- 5% command of English

On the other hand, the large accounts executive profile scheme was:

- 30% CV presentation
- 30% business education
- 20% experience in the service sector
- 20% command of English

Having defined these profiles and secured commitment from our seed investors, we put an ad in two Buenos Aires newspapers –a high circulation one and one with a mainly professional readership. The add read: “Top level multinational opening branch in Argentina seeks: a) telemarketers, b) van-owning drivers (delivery vans), c) warehouse personnel, d) administrative assistants, e) administrative manager, f) IT manager.”

Considering that we were looking for a total of 25 people, you may wonder why we did not fill these vacancies with friends, acquaintances and people who came recommended. The reason is simple: we wanted to hire the most talented people in the market and we did not want to prejudge anybody favorably by their connection to us. We thought it was fundamental to respect this search process.

We offered interested friends and acquaintances the chance to participate in the process like anybody else. If they were really good, they would cruise through the selection stages and get the job. This was hard to do, especially in a high unemployment context where many acquaintances saw us as a secure job source. However, we decided to apply this criterion even with people who were very, very close to us. Actually, we also decided that we would not hire family, qualified as they might be. We judged (and I recommend every entrepreneur to consider the following premise) that “one should never hire someone they will never be able to fire.” This was the only way to guarantee the quality of the end product.

We received over a thousand applications, which we had to filter in order to obtain a reasonable number of candidates. We looked at every CV, one by one, and completed the table of scores, grading our applicants from 1 to 10 for each heading. Then we calculated the average score of each applicant and invited the most qualified to the following selection round. For example, for the packager positions, we recalled the best thirty applicants.



THE SELECTION PROCESS

In this way, we pre-selected three hundred people and summoned them to a quality hotel in downtown Buenos Aires. To do that, we hired a company that took care of calling them and of the logistics of the event.

When everybody was gathered, I introduced myself and said: “I represent a multinational company that is opening a branch in this country. I can’t give you more details for now, but we have summoned you to complete an aptitude test. The test involves a series of reasoning problems.”

People were totally taken aback! They demanded to know the name of the company. “Why don’t you tell us the name?” they asked. The drivers were angry: “I came to show you my van. It’s parked close by. Why do you waste my time with a reasoning test? No one’s ever done this to me!” But in the course of the day, they understood that we were not looking for good vehicles, but talent. You can always find a better van, but finding an intelligent driver who is capable of taking decisions independently in the face of a delivery problem is a different ballgame.

We made the second round candidates sit through a battery of tests designed to measure their abstract, verbal, spatial and precision reasoning capacities. The tests were given a score for each aspect. In this way we selected the top 30 percent performers of each profile for the next round, which consisted of individual interviews. Out of a group of eighty candidates we had to choose twenty five for our team.

FINDING THE BEST

I implemented the first filter for these interviews. I telephoned the candidates and told them about the company, about our dream and about the wage we were offering. Some were disappointed that the “big multinational” had turned out to be only a business plan. Others, however, held their interest. Finally, we interviewed nearly fifty of the pre-selected eighty. Santiago and I split the interviews; he did the logistics and administration ones and I did the telemarketing and sales ones.

The only thing we wanted to find out in the interviews was: “Does this person have the inner fire and the will to succeed that we need?” The answer was determined by whether the candidate had the attributes of the ENTREPRENEUR we listed in Chapter 1: dreams, player attitude, willingness to learn, passion, commitment...



The questions we put to the candidates were seemingly out of place for a job interview. For example:

- How many schools do you think there are in the country?
- How would I know...
- Let's say I give you ten minutes to come as close as you can to the number. How would you look for the answer?

It was fun because many questions could not be solved and, anyway, we were not interested in the correct answer. We just wanted to see how the candidates thought and whether, faced with a problem, they gave up easily or not.

Sometimes we threw them “against the ropes” by saying things like “I don't understand. You haven't given me any reason to hire you. Fifty other people want this position. I want to hear something that makes me change my mind.” They were tough lines, but we could spot the good candidates a mile away. We also asked them to do role playing. We would tell them: “I'm an angry client calling. There is a phone in the office next door. I will call you to complaint. I want to see how you respond.”

I remember one candidate who was very good, but at the time of hiring, she asked me:

- For how long is this job assured?
- What?
- Yes, for how long will I have this job for sure?
- For one day!

Finally we did not make her an offer. We wanted passionate entrepreneurs, not employees worried about their job security.

In this manner, we selected Officenet's first twenty five team members. Marcelo Menghini started as a packager. Today he is an operations manager. Pablo Simón Cassarino started at age 19 as a marketing assistant. Two years later he was a commercial director with over two hundred people in his charge, and later he became vice president of Officenet Argentina at age 24! This is to say, many people with a “winner's attitude” flourished and grew at Officenet.

A DIFFERENT SELECTION PROCESS

In the case of Axialent, the initial selection process was different because we were looking for a very special profile. We needed general managers for seven offices and, what is even more difficult; everybody needed to have managerial experience, a high level of professional and spiritual conscience and a big heart to understand the human dimension that lies beneath business problems. A difficult combination to find!



We remarkably personalized the search and selection process. We began by writing down what we thought was the almost unattainable “ideal profile” of the people we wanted in the team. Not only did it include professional and corporative experience requirements, but also regarding the type of music the candidate enjoyed, the sports he or she liked, favorite reads, viewpoint on given topics, etc.

We performed the search in three ways. Fred Kofman contacted me with former LLC clients who had “fallen in love” with his consulting work and that at some point had said to him: “It would be great to do this forever!” Among them were Ricardo Gil –former Human Relations Vice President for Latin America of EDS- and Guillermo Bort –former senior executive of Microsoft Latin America-, who presently lead Axialent’s consultant training team and Buenos Aires office, respectively.

Another group was made up of people I knew that had that special profile. For instance, Ana María Diniz, whom I mentioned in Chapter 4, was a successful businesswoman with a great heart I had met at Harvard. Her commitment to help people become more humane and her unflinching determination to dedicate her life to that goal were striking. There were also very young people such as Carola Hart. I met her when she was 14 years old; she came to an Iniciativa seminar we had organized to promote leadership among young people. At 18, Carola was president and executive director of Iniciativa. Later, when I told her about the Axialent project, she was thrilled to join the team.

A third team was made up of recommended people. I called on people that possessed that combination of managerial experience and love for the humane and asked them: “Where do I find people with the same vive for this job?” In this way, the names of Albert Durig, who runs our San Francisco office, and Jean Marc Laouchez, who leads Axialent Brazil, came up. The case of Jean Marc was striking. He was part of the senior McKinsey team, the world renowned business strategy consulting firm. Although cold minds prevail in this activity, everybody told me: “Jean Marc is an exception to the rule. He’s got a heart of gold!”

Little by little, my partner Fred Kofman and I found each of those unique individuals. Today we can already appreciate at Axialent the impact of that team of exceptional people.

THE IMPORTANCE OF TALENTS

Here I’d like to slow down a little because I have been talking about “talents” again and again but still we have not defined the term.

When I speak of talent, I do not allude to a great technical specialization, a great ability to perform a given task. As I see them, talents are a series of aptitudes I call “meta-skills,” which I introduced in Chapter 1. In my understanding, 70% of the work in the business world is putting these meta-skills into action, and only 30% requires previous technical training.





I think it is people with these meta-skills –as opposed to people who only know how to technically perform tasks- that are good for the team. Although there are critical areas –like technology and administration- where a stock of previously accumulated knowledge is required, many tasks are learnt in the process of doing them, particularly concerning sales and operations.

I believe in the flow of learning more than in the stock of knowledge. In the long run, someone who learns to learn and is open to perfect themselves is more valuable than someone who already knows.

This does not rule out that at some points it might be necessary to find people with a great accumulated technical knowledge to solve specific problems. At Officenet, for instance, we experienced a serious collecting problem during the first year. This forced us to find an expert in the field and put him in charge of the area. In that situation, the “learn as you go along” philosophy would have been very costly; we needed someone who was already very knowledgeable and experienced, in order to get out of the bottleneck. But once again, we looked for someone who had entrepreneurial talent and the ability to learn how to learn as well as specialized knowledge.

Throughout the years, I have come to understand that there can never be too many talented people in one project. In any case, what is sometimes lacking is creative ability from the entrepreneur to find talented people an adequate function in the team. A genuine talent will always repay his salary many times.

HOMOGENEITY OR DIVERSITY?

There seem to be two diverging positions on how best to form a team: Should I summon people that are akin to my way of being to achieve homogeneity in the team, or should I create a team where different personalities contribute diverse viewpoints?

Some entrepreneurs decide to form their team with similar people. For example, if I have an analytic mind, I look for super-analytic people. In this way, I achieve homogeneity: we understand each other quickly, we interact in a similar way and we share interests. Generally, these teams have a high performance; they move together and they are very quick in taking decisions. The drawback is that its members persuade themselves very quickly of a point of view because they are all on the same wavelength. There is no counterpoise: when the formal leader consults his team on a subject, the group’s responses tend to “confirm” everything he thinks and the leader does not get to consider other points of view. Friends starting a project together constitute a classic illustration of this dynamic. They have similar interests and therefore, similar professional profiles. I recall that when Marcos Galperin created Mercado Libre, most team members were Stanford University colleagues from his Masters degree. We referred to them as the “Stanford boys.”

On the other end, some entrepreneurs seek to create mixed contexts with complementary people. For example, if I’m young, I search for someone with a lot of experience; if I’m analytic, I search for an intuitive person. The advantage is that diversity broadens the team’s outlook and



generates greater interaction in decision making processes. The disadvantage is that, generally, decision making and speed of response is lower.

I do not think there is a hard and fast rule about this, but the convenience of having a homogeneous or mixed team can be empirically linked to the stage that the project is going through. IN THE SHORT RUN, A HIGH VELOCITY TEAM SEEMS MORE ADVANTAGEOUS; IN THE LONG RUN, ONE THAT INTEGRATES COMPLEMENTARY VIEWPOINTS SEEMS BETTER SUITED.

In an initial stage of the project, when it is advisable to act quickly, I recommend having similar people on board because the team will respond faster and be able to react to changes in the environment. Marginal note: this is, provided you have external advisers that challenge your way of thinking (I elaborate this point in Chapter 10). Unless this is the case, you run the risk of turning into a knower, someone that only confirms what he thinks with people who always support his opinions.

However, in the long run, I advise you to form a more mixed group and to learn how to benefit from its richness.

FROM GROUP TO TEAM: THE SIX D

When an entrepreneur has a group that is not just the sum of people but a real team, seemingly magical situations happen. It is like a good soccer team, where a player, having run for the goal with the ball, makes a pass to the center of the goal area almost without looking up because he is sure that his teammate will be there to take the pass.

In the process of forming a super-team there is a number of key issues ranging from selection of team members to interpersonal relations in the daily running of the business. But all of these have a common denominator and a common goal: A GROUP OF PEOPLE BECOMES A TEAM WHEN ITS MEMBERS THINK LIKE OWNERS RATHER THAN EMPLOYEES.

When the members of a team ask themselves: “Would my boss allow me to do this?” or “How does this benefit me personally?” there is no team. There is a team if –and only if- the employee thinks: “Do I –who feel this company as my own- believe this is the best for my company?”

The question that arises now is: How do I get the team members to feel like owners of the project? I encourage the reader to consider a model –I call it the “Six D model” which takes into account the fundamental aspects of the solution:



- Distribute part of the profits.
- Direct by example, leading and inspiring the team.
- Dominate the human dimension of business problems.
- Determine the abilities of every team member.
- Decentralize decision making.
- Distribute critical information about the business to staff.

DISTRIBUTE THE PROFITS. WHO BENEFITS?

I cannot imagine a scenario where a good entrepreneur gets rich while the key players in his team do not share in part of that richness.

In my mind there is no real success when a team attains success and only the leader takes it home. How are your team members going to look at you knowing they were an integral part of the achievements yet they do not share in the profits?

In Chapter 6, when we talked about the structure of capital, we saw the importance of stock ownership for key employees. And I say “key employees” because I know entrepreneurs who, in an almost populist vein, say: “All employees will have at least one company share, so they feel like owners.” I believe it does not work like this. It is not about everybody taking an equal share of profits or about everybody partaking in the share of profits. I do not advocate a “communism of capital” or a “socialization” of shares; rather I RECOMMEND TO MAKE SHAREHOLDERS OF THOSE WHO WILL VALUE IT AND WHO ARE GENUINELY ABLE TO CREATE REAL VALUE WITH THEIR WORK AND DEDICATION TO THE PROJECT.

There are two basic ways to share the capital: by giving out shares or stock options to key employees. Although there are other methods –like phantom stocks or stock appreciation rights– I prefer not to go in to them here as they are too sophisticated and infrequently used. Shares and stock options, which we will see next, cover 95 percent of normally used schemes.

STOCK PARTICIPATION

Giving employees shares means giving them direct ownership of a portion of the company. When there are profits and dividends, the employee-shareholder receives his proportional share.

Often these shares are called “restricted,” that is, they have restrictions of ownership and transfers to third parties. The aim of this restriction is to avoid having an employee say “I leave the company and continue to cash my dividends” the day after he receives the shares. The usual thing is to give the key employee restricted shares that will become restriction-free after a set time. This is called vesting in the lingo, and the period of restriction usually lasts between three and five years.



Generally, key employees receive between 0.5% and 6% of a company's shares. Someone in charge of an area such as technology or business development usually receives between 0.5% and 2%. 6% is usually reserved for a recruited general manager that was not part of the founding team. The sum of these participations adds to 10% to 20% of a company's total capital.

STOCK OPTIONS: AN ALTERNATIVE

Options are creative instruments for substituting shares. In the world of finance, a stock option is a right to acquire a specific number of shares of a company's stock at a pre-set price, at a specified future date.

The idea is that whoever acquires a stock option will benefit from it if, at the time when he can exercise his ability to purchase, the company's share value exceeds the pre-set price. If the share value is lower, the employee will surely not exercise his option. Undoubtedly, the company's success is in the stock option holder's interest as he wants to obtain a higher profit.

Stock options are frequently used when a company has external investors, especially if there are venture capitalists. Rather than receiving shares, the entrepreneur receives stock options that he may or not exercise.

This is the most popular stock option scheme used to give participation to team members. For example, the entrepreneur can tell a key employee: "I give you the ability to purchase 20,000 shares at five dollars each, three years from now." If when that time comes, the share value is lower than five dollars, the employee will not exercise his option as he would be paying above the market price. However, if the share value is fifteen dollars, the employee will exercise his options, pay the company 100,000 dollars and become the owner of 20,000 shares valued at 300,000 dollars. The usual procedure in that case is that the employee receives a net value in shares without expending any money. Continuing the example above, rather than paying 100,000 dollars, the employee will receive two thirds of the 20,000 shares, which have a net value of $300,000 - 100,000 = 200,000$.

The reason to use stock options is that if there is an external investor who owns shares for which he paid five dollars each, he will want employees recruited after that investment to have stock options priced at five or more dollars per share, and not less. His premise will be: "I am willing to share value created above the value I invested, but not below." For the same reason, when a venture capitalist acquires stock options, he often limits the possibility that employees receive shares directly in the future. This is because it could happen that employees were more benefited than the investor. Let us suppose that someone invests a value of five dollars per share, that a recruited employee receives shares directly and that the company then sells shares at three dollars apiece. While the investor loses by selling below his buying price, the employee captures value, despite the fact that value was destroyed rather than created. In these cases, participation can be given to key team members by means of stock options only. The percentages usually conferred in stock option participation are similar to the share percentages I mentioned a few paragraphs above.



In the case of companies operating in stock markets, it is very easy to establish the share value, because it is the net difference between the market value of the share (the price at which the share is standing) and the purchasing value of the stock option. However, the share value is very difficult to establish if the company does not quote on the Stock Exchange. In the latter case, often it can only be established when the company is sold. Therefore, in projects that do not involve venture capitalists, it is advisable to give key team members shares or profit participation by means of a yearly bonus.

DIRECT BY EXAMPLE AND INSPIRE OTHERS

The second central aspect of putting a team together starts with setting an example. It is an aspect of leadership, generally, but of particular importance in the entrepreneurial world.

As project leader, the entrepreneur must be the first to assume responsibility for undesired results. He needs to be a great pilot to face the storms along the entrepreneurial process.

People need to feel that you are the first to roll up your sleeves and get down to work when there is a crisis. I remember right at the beginning of Officenet that, though we had placed the first orders to suppliers, we forgot to restock. We were selling but not renovating the stock. The time came when we did not have eight out of every ten products customers wanted. Santiago and I got together, worked 48 hours running on a weekend, and between the two of us managed to prepare the purchase orders and literally to unload the boxes from our supplier's trucks as the deliveries arrived. Seeing us at work, our staff approached us: "Would you like me to stay? I can lend a hand tonight." One by one they joined us spontaneously and together we were able to solve the problem. If in stead of assuming our responsibility as leaders we had said "How is it possible that purchase orders weren't made! I want this fixed right now!" it would have been harder to solve the problem.

What I learnt in time is that IF THE ENTREPRENEUR IS NOT A SOURCE OF INSPIRATION FOR HIS TEAM, HE WILL NEVER CREATE A REAL TEAM. THIS INSPIRATION IS NOT ABOUT SHOWING YOU WORK ON A PAR OR EVEN MORE THAN THE REST, BUT ABOUT THE WAY IN WHICH YOU COMMUNICATE THE DREAMS AND VALUES YOU WANT FOR YOUR TEAM. If your staff says "I share your dreams and values," there are real chances that they become a team. However, if the entrepreneur does not inspire a dream or act consistently with the values he wants to promote, his discredit will be automatic and the team will only be a group of people working together at the same company.

HUMAN DIMENSION: PEOPLE BEFORE EMPLOYEES

The third fundamental concept is that the team is formed by human beings that behave as such. This may seem only too obvious, but many companies seem to forget it daily.

This point is illustrated by a philosopher I greatly respect called Ken Wilber who is a member of Axialent's academic board, with his "four quadrants integral approach." It involves understanding a company as a system that includes an individual interior quadrant (involving spirituality, cognition,



values), an individual exterior quadrant (involving behaviors, attitudes, technical abilities), a collective interior quadrant (involving values and shared dreams, team culture) and a collective exterior quadrant (involving strategy, business processes, operations). It took me very long to understand this integral approach.

As team leader, it is fundamental to understand that people are precisely that: people. Their dreams are an integral part of their behavior as employees, entrepreneurs and businesspeople. I do not cease to amaze myself at the sight of leaders that act as if their team were a group of semi-robotic pieces with specific tasks. And then they look surprised when things do not work!

IT IS NECESSARY TO CREATE A WORK CLIMATE WHERE EACH PERSON FEELS THEY HAVE MORE THAN JUST “COLLEAGUES,” THAT PEOPLE CARE FOR THEM, NOT AS “COMPANY HUMAN RESOURCES” BUT AS HUMAN BEINGS.

In Axialent’s consultancies on human dynamics, for instance, some of the critical questions we ask to understand this dimension are: “Did somebody in my team worry about a personal matter of mine during the last week? Do my colleagues know what my family context is –whether I’m married or have kids? Is my boss interested in my development?” In short, the question is: What am I, a resource or a human being? Readers interested in an in-depth treatment of this topic should see an excellent piece by two Gallup consultants called Coffman and Buckingham in the book “First Break all the Rules.”

The role of the leader is fundamental to promote good interpersonal relations. You have to know that ego attitudes exist and that therefore, problems arise in relationships. The key for a “formal boss” is understanding how not to become an accomplice of those perverse processes.

Many conflicts between team members exist and subsist due to the role the leader takes in the conflict. For example: in many teams there are people who tend to address problems “behind the back” of what I like to call “the victim.” John has a problem with Pedro and goes to see his boss to complain about Pedro. Their boss sits with John, listens to his complaint and replies; “OK, I’ll talk to Pedro about it!” In this manner he promotes a perverse “hidden agenda” that deteriorates the efficiency of the team. If rather than being an accomplice to that mechanism, you ask: “And have you spoken to Pedro about what’s bothering you? Why do you talk to me and not to him? I suggest we call him and the three of us can talk about it,” the dynamic is disabled. You promote a spirit of transparency within the team, enabling subjects to be addressed frankly and their solution, found.

Strictly speaking, all of this is about being a good manager rather than entrepreneur, but in a startup, where everything happens faster, these problems crop up very quickly and hence become very important.





DETERMINE THE POTENTIAL OF EVERY TEAM MEMBER:
PROMOTE PEOPLE BUT DO NOT BURN THEM OUT

The speed at which things happen when you start out and the passion involved often make group leaders misjudge the ability of individuals.

An important mistake I made from the team point of view was not always assessing well the ability of individuals and consequently promoting them beyond their capacity to assume responsibilities. As Dilbert would put it –a comic strip character that satirizes the corporate world- “I ended up promoting them to their maximum level of incompetence.”

What happens is that a person can be very good at the task they perform but that does not mean that they are necessarily ready to take the next step. I already mentioned some people who grew a lot with Officenet and are currently leading important areas of the company. But not every person is the same and one must be very careful not to expose them to situations that exceed their ability to respond.

For instance, this was the case with a procurement assistant. As he was very competent, I kept promoting him. After a bit, I named him procurement director; he was in charge of eight people and in charge of imports. Then his performance started being deficient and finally I fired him. Was he bad? No; actually he was very honest, which is a key quality for the procurement area. But at some point, someone should have told him: “The best way to take care of you and keep you in the company is to find you a boss,” rather than continue promoting him beyond his capacities. Luckily, in other situations I managed to be more careful, and these people are still a part of Officenet.

YOU NEED TO FIND THAT DELICATE BALANCE BETWEEN GIVING YOUR TEAM MEMBERS MORE OPPORTUNITIES AND BURNING OR OVER-EXPOSING THEM. IT IS ONE OF THE CHALLENGES OF A GOOD ENTREPRENEUR AS TEAM LEADER.

DECENTRALIZE DECISION MAKING

Another key to entrepreneurial leadership is knowing how to decentralize decision making. As processes are very fast, it is impossible for one person to concentrate exclusively, at all times and in every aspect of the business, decision making.

To decentralize does not mean that, as the leader or owner of the business, you do not have the right to take decisions. Unfortunately, many leaders confuse a participative team with a democratic one, where every decision is reached by consensus, and therefore, choose not to generate a highly participative space.

Business organizations are not democracies; however, they can and should be participative. Their owners have a clear ownership of the decision making. The problem is that often that authority is confused with the old image of the “patriarch-boss” that manages his people as if they were extensions of his body.



It is a difficult balance to strike and it is based on an attitude of service. THE ONLY WAY TO DECENTRALIZE IS FOR THE LEADER TO PLACE HIMSELF AT THE SERVICE OF HIS TEAM RATHER THAN WANT THE TEAM TO BE AT HIS SERVICE. IF, AS AN ENTREPRENEUR, I SERVE MY TEAM, I AM SERVING MYSELF.

Many companies that claim to be entrepreneurial display the old “patriarch-employee” relationship. This is illustrated by the following remark from an owner to an employee; “The report is wrong. Do it well once and for all.” He should have said, “I see you could not produce the report I had in mind. How can I help you so that we both achieve the result we want?” A good entrepreneur helps his people carry out their projects. The basic relationship is that I give the team a service so that it can fulfill its objectives. And if everybody complies with their objectives, our company will be sustainable in the long run.

DISTRIBUTE KEY INFORMATION TRANSPARENTLY

A point that entrepreneurs often overlook is that sharing all the business’ critical information with employees is a great opportunity. At Officenet, sales data are exhibited every day in the personnel notice board. All employees are informed about the company’s profitability in monthly meetings. You should see the look on our suppliers when they see that these data are available for the team! Comments range from “How are you going to disclose the profit margin of such-and-such product to your employees?” to “But that’s secret information... reserved for the bosses!”

I believe there should be no secrets. I believe IT IS NECESSARY THAT ALL TEAM MEMBERS HAVE TRANSPARENT INFORMATION BECAUSE THAT ENABLES THEM TO DO THEIR JOB BETTER. For example, if I do not explain to a telemarketer what the mark-ups of every product are, how will he manage to sell them with higher margins?

Additionally, this allows each person to feel part of the project and hence avoids suspicions that the entrepreneur or investors are “reaping a fortune.” If each person knows what measure of profitability he contributes monthly to the business, he will be able to understand that his compensation is a percentage of that profitability. Besides, knowing how much we invoiced this month and our level of profitability makes it easier to see that our objective for the incoming month is reaching that other invoicing or profit level.

And this is, at the end of the day, what generates the correct motivation in each employee: if I want to do well, the company must do well.

DEVELOP THE ENTREPRENEURIAL SPIRIT

If the team really is made up of entrepreneurial people, a time will surely come when more than one of its members starts thinking of developing his own project. As a leader, one must know how to channel and encourage that entrepreneurial spirit in order to boost the success of the business. It will be the best way to keep and encourage that talent in the company.



If you have managed to generate in the team a spirit of openness, where everything can be discussed and approached without problems, chances are that whoever is thinking about a specific new project will come and tell you about it rather than communicate to you that he will be leaving the company overnight to start something on his own. What is more, it is even possible that he shares his idea with you in its initial stage so that you will ping pong ideas with him! The interesting thing is that this dynamic enables you to say to him: “How can I help you develop your entrepreneurial spirit within our company? How do we work together so that you find that challenge you are looking for, that challenge that will inspire you, within the company?”

I have strong faith in entrepreneurial people occupying positions outside the company structure “pigeonholes,” leading projects for limited periods. Here is where you really notice the importance of having talented people in the team: they do not limit themselves to acting like a piece in a traditional structure, but rather they are willing to face different challenges.

It is what I call business development. I have always put together a large team to develop businesses within the company, formed by “wildcard staff” that develops projects: they conceive them, create them, set them in motion and integrate them to the operation. They are very skillful. In this way, at Officenet, for instance, we undertook projects to provide logistics services to a large bank by stocking all their forms. Also in this way we created what we call a SWAT team to open operations in Brazil and manage large accounts.

AN ENTREPRENEURIAL LEADER MUST GENERATE THESE SPACES FOR DEVELOPMENT FOR HIS PEOPLE BECAUSE IN AN ENTREPRENEURIAL CONTEXT THERE HAS TO BE MANY MORE CHALLENGES AND LEARNING OPPORTUNITIES THAN IN A TRADITIONAL COMPANY. The only drawback this approach has, which must be avoided, is the risk that the challenge actually overexposes the member of the team that was put in charge of a project and that, as a result, he fails or gets frustrated. As a leader, one must follow the project’s development closely to help the employee who is in charge and, foremost, to assume responsibility if the project should fail.

CHANGES INSIDE THE TEAM

When everybody thinks like owners of the business and not like employees, the integration of new members is a lot simpler. If I think as a business partner, I will always welcome people who add value to the company. However, if I think as an employee, I will probably feel jealous (“Is he coming to take my job?” for instance).

A similar thing happens when it comes to discharging employees. One of the drawbacks of “being in charge” is having to handle dismissals. Even when the dismissal is necessary and nobody feels it is illogical (the times I have had to fire people, I discovered that everybody approved the decision as it was not the product of a whim but was necessary for the company), the process is far from pleasant. In this sense, I recommend being very humane in implementing decisions that require firmness. There are humane ways to fire someone and the main one is not to lie to them.



For instance, I find it disrespectful to say to someone that their lay-off is “due to restructuring” when that is not the case.

In time I discovered that it is fundamental to address problems clearly when someone’s work is not paying off. Point out to them –even in writing- your expectations that he should improve within a reasonable timeframe (for instance, “the next three months”), accurately detailing the flaws you identify in his performance. Communicating clearly in these situations also shows willingness to give a team member a second chance. It is also necessary to follow his development closely and indicate to him if he is progressing or not. This is being a real “coach” and having the employee’s best interest in mind.

A measure of determination is needed in order to establish the expected results, to warn people in an impeccable, humane manner when something is not acceptable and, if the situation cannot be resolved, decide what steps need to be taken. This is part of what we saw in Chapter 1 regarding firmness in taking difficult decisions, now applied to inevitable discharges. Perhaps the reader thinks I am a little drastic in this point (probably true!), but my view is that these problems are like couple relationships. When the relationship just “doesn’t work,” the worst you can do is to prolong it on and on. Paradoxically, something that appears to be “not very humane” like dismissing someone becomes a lot less humane if done later rather than sooner: the damage accumulated in the relationship ends up being far superior to the personal cost of taking a firm decision at the right time.

KNOWING WHEN TO LEAVE

The entrepreneur that leads a project has to know that his function is not for life. Moreover, he must constantly ask himself whether he is the most qualified person for the job. Not often does an entrepreneur understand when he must step down as the leader of his team. Most entrepreneurs’ mental models say “the company is me.”

Around mid 2002, I decided to leave my position as CEO of Officenet. Most people did not understand why I chose to continue as a shareholder and board member, contributing as actively as possible to strategic development discussions, but not leading the day-to-day running of the company.

The truth is that I felt that Officenet was becoming a corporation with seven hundred employees and that, due to our capital structure, future growth would be produced by the genuine resources generated by the business. Given these conditions, I was not the best man to lead the company because my own profile is that of a great promoter in high growth stages as opposed to a manager to maintain a long term organic growth. I felt I was on solid ground to launch new markets, reorganize strategy and implement it, but not to maintain the status quo and accompany gradual growth. I identified my own limitation and when I saw I was not the best man for the job, I decided to leave.



My exit was carefully organized. In April, 2002, I notified the Board of my decision to leave the day-to-day running of Officenet, I recommended Santiago as the new CEO, we drafted a 4-month-long transition plan and I announced that, once I was dissociated from the day-to-day running of the company, I would start other businesses, particularly in the United States. I was attracted by the idea of setting up a business in an economically super developed market like the US market and I felt that it was the right time to do it. Although I still had not formulated any definite project, I thought this approach was more honest than defining my next move before announcing my exit.

Once I was free from managerial responsibilities at Officenet, I started looking for a new project and this is how Axialent came up. In time, I discovered that Officenet existed regardless of Andy Freire, and that Santiago did an exceptional job, far better than me in many areas. I experienced this process as an inexhaustible source of learning and an exceptional exercise in humbleness.

RESULTS OF A GOOD TEAM

When the team is properly constituted, everything flows seemingly problem free. Obviously there are hurdles, but good teams know how to overcome them. They seem to develop an emotional intelligence that allows them to keep their wits and maintain control of the situation. I insist: individual heroes do not exist; only teams carry out good projects.

Furthermore, it is thrilling to have a team with which you can work and build things. The great unexpected reward is seeing people you have worked with want to accompany you in new adventures. You start another project and they call you to say they want to be a part of the team and they are interested in knowing where you are headed. When I left Officenet, my integrity forbade me to even consider inviting anyone to join Axialent. But I have to admit that it made me very proud to see the number of people that offered to join me. That kind of recognition offers you an invaluable satisfaction, respect for what you have achieved and enthusiasm from your team colleagues as they say to you, "How I'd love to work together again in the future!"

That kind of reputation is a huge asset for someone who wants to start businesses throughout his life. A reputation is like a track left behind as you go that proves that the people that accompany you consciously choose to do so. And this can only be achieved by generating good teams where the entrepreneur is just a part and a committed service provider.



KEYS FOR PUTTING TOGETHER A GOOD TEAM

- Talent is never excessive: always look for talented people.
- Initially, a homogeneous group is recommendable, but in the long run, you want to create a team with people that complement each other.
- Share the economic success of the project.
- Set the example to lead and inspire the team.
- Understand the human dimension of every business problem.
- Be aware of each team member's abilities.
- Decentralize decision making.
- The leader must serve the team.
- Share business information with your staff.
- Encourage an entrepreneurial spirit among your people.
- Act out your decisions firmly and humanely.
- Realize when you need to leave.

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