

DREAM WEAVER

By Chuck McVinney

An OD consultant can knit together all of the essential elements for a successful startup.

Startup companies have traditionally been thought of as some budding entrepreneur's dream business, taking root perhaps in his or her garage or basement office. But in the current fast-paced, technology-driven marketplace, most startups are technology-based and emerge out of large organizations or launch fully funded by venture capital. All of the necessary elements for success are in place, but often what's needed to pull them into a smoothly working whole is someone to act as transition agent. Enter the OD consultant. But first, let's look at the reasons the nature of startups has changed.

One, large companies are continually spawning new product concepts that require new businesses to develop, market, and sell them. The power of technology has catapulted the ability of corporate marketing departments to be in touch with the rapidly changing needs and demands of customers, thus continually feeding new-product development.

Two, it's hard for traditional startups to attract and retain top-flight engineers and scientists, without meaningful financial and workplace perks. These high-demand professionals can name their price in today's competitive world market, and their price usually is more than just money. These top-notch professionals, seasoned or fresh out of prestigious schools, vie for the best offers. What they're betting on is not just a good job with good

benefits but the possibility that the startup they join will vest them with a large block of stock or options that will soar in value quickly.

Three, it takes more people and more sophisticated technology to support the kinds of new products being developed. Here's just one example: Several U.S. startups are competing to invent a lightening-fast way to transmit and receive voice and video data over the Internet, using a new technology called a terabit router. That requires many brains, complicated equipment, and complex hardware and software capacity.

No traditional bootstrap startup could possibly fund such efforts. These new companies are generously funded by venture capital and by development money from large organizations interested in their success for the possibility of a future buyout. New product success will mean that the startup leaders will have to decide whether to offer an IPO and go it alone, or sell out to one of the companies that have invested in their success.

The new breed of startups

The takeover of the startup business by ambitious venture capitalists and market-savvy large companies has changed the business landscape dramatically. Inside these startups, the experience of the entrepreneurs and free spirits drawn to leading and working in new ventures is vastly different from bootstrap ex-

perience. As a result, OD professionals are being called on in numbers and ways that were unheard of just 10 years ago. There are several identifiable characteristics shared by startups that have led to the need for greater OD intervention.

Generous funding. The single overriding characteristic of startups today is that they're well funded, either by the large corporations that spawned them or by well-heeled venture capitalists. One of the companies working on the terabit router is funded with \$70 million from venture capital; another is funded with \$25 million from the parent organization.

Experienced leadership. Another characteristic is that today's start-up leaders are often corporate executives, tapped for these new jobs because of their experience running other large startups or established organizations. For example, Digital Equipment Corporation recognized and nurtured employees who had special people and business skills. At Digital, becoming an internal turnaround or startup expert is a recognized career track. It's common for managers who demonstrate skills at successfully turning around troubled internal groups to move from one internal venture to the next to get things launched.

Detached financial goals. A source of conflict and turmoil inside many startups is that financial goals seem to come from nowhere—that is, they come from the parent company or venture board of directors rather than from a team of close-knit, entrepreneurial owners who set goals with their creative team of technology leaders. That can be a significant demotivator when handled badly. For instance, a newly acquired division of a large telecommunications company ran into a serious turnover problem in its salesforce when reps felt sales goals set by "outsiders" were unreasonable. The reps thought these outsiders didn't understand the industry or dynamics. In this case, OD professionals were called on to revisit the goal-setting process and involve the salesforce. Though the resulting sales goals weren't that different, the reps felt ownership for the numbers.

Weak culture. The Achilles heel of many startups is that their vision and values aren't held deeply by employees. Consequently, the culture of the new company is weak. The values that persist tend to be about speed of product-to-market for

short-term financial gain. Whether acceptable to all of the players, that value tends to become everyone's focus, overriding such values as technical excellence and customer satisfaction. One startup was so intent on developing a product and being bought out quickly that the buyout became its sole reason for being. When the buyout didn't happen, the leaders found that their company was soulless. To keep top talent, they began trying to create, overnight, a culture based on product quality. But many disillusioned employees quit, and the company is in danger of foundering. The lesson is that companies that neglect to cultivate purpose and meaning fail to build communities of workers, and they generally don't weather hard times.

Cultural baggage. Sometimes, what culture there is in a startup may be heavily loaded with the baggage of the parent company. For example, in one internally spawned startup, the fear of challenging the system is so ingrained that true creativity is thwarted. Only in the narrowest technical areas are creative ideas tolerated. That is affecting employees' morale and originality of work.

Instant bureaucracy. Depending on one's point of view, a startup emerging from within a larger company is blessed—or saddled—with a bureaucracy from the beginning. It may be a situation in which corporate staff from the parent company controls the startup's line functions. Powerful corporate HR functions may control the hiring process. Purchasing and financial-control infrastructures may slow down materials acquisitions, vendor selection and payment, and other critical time and production issues. Those important functions, when imposed, are often exercised inappropriately for the position of the new company in its life cycle. A well-seasoned purchasing manager I know joined a startup to, as he put it, "keep it out of trouble." Apparently, that meant "keep it from buying anything." In talking with the startup's engineering group, I learned that it missed a key development milestone when it couldn't get the necessary parts to build a prototype by the deadline. The reason? The purchasing manager challenged the expenditure and the parts were never ordered!

Identity crisis. Another common startup snag is when big companies bless the new offshoot as an entrepreneurial

team, but it isn't really a team and isn't supposed to really make decisions. Just what the team is isn't clear to anyone, and the members often feel confused about their identity in the larger context and are unsure of their individual futures as employees of the new entity.

Risk aversion. Contrary to what we expect from startups, employees of these new ventures may be *less* willing to take risks to accomplish ambitious objectives. That's especially common in startups spawned by large organizations. Of course, what constitutes risk in these highly funded settings is different from the kind of risks bootstrap entrepreneurs face. The engineers who came aboard the venture-capital-funded terabit router startup were forced to "settle" for a high salary, excellent benefits, and the risk that their stock options might not turn into seven figures within four years.

Do those characteristics set up such a difficult internal scenario that we should reconsider the wisdom of startups? Of course not. But in the complex business environment, it's crucial to lower risk in order to capture and retain the best and the brightest workers. The problem is when startup leaders don't acknowledge and address the special human dynamics and leadership challenges new entities demand. That means implications for OD professionals. Fortunately, because many startups are well funded, there's money to support OD efforts.

Today's startup leaders tend to be more experienced handling business matters than people matters. Yet, if you examine the startup characteristics just described, most are people-related. OD professionals will find themselves in the familiar, yet uncomfortable, position of having to tell executives what they don't know.

Here are several steps we as OD professionals must be involved in.

Establish a new identity. When companies spawn internal startups, the OD people need to help the new entities establish independent identities. That means undertaking immediate structured efforts to flesh out value, vision, and mission statements, as well as specific work infrastructures and processes.

Launch teams. To overcome the often-common corporate naivete about the complexities of team building, OD professionals must be expert at launching teams. That means helping teams identify com-

mon goals, clarify roles and responsibilities, and establish operating values and work-management processes. It's critical to get clarity about those elements up front. One organization that did that religiously from its beginning found that though it took more time and money than expected, they were well spent. Feedback from the line and field continues to pour in, expressing employees' strong commitment to the new organization they've worked together to create.

Develop teams. Helping new teams establish boundaries and common direction may be one of the most crucial contributions OD practitioners can provide. There's rarely such a thing as an instant team, and all of the upper-level corporate blessings will not a team make. The work is hard and requires an OD consultant to bring well-developed facilitation skills, constant attention, and discipline to this challenging development effort.

One startup was having a serious problem with peer-to-peer feedback, a crucial skill for successful team development. The company's software engineers complained about each other to third parties and dealt poorly in one-on-one interactions. The consulting OD professional did what is becoming more and more important as companies emerge and grow quickly: She led a series of embedded workshops on giving effective feedback. By *embedded*, we mean that she ran the sessions during the weekly staff meetings. Each week, a different and difficult feedback situation from the group was described, addressed, and resolved. After several weeks of that, the team began establishing a feedback process, ground rules, and a track record of some successful examples to build on.

Turn conflict into creativity. OD practitioners find that randomly assembled startup teams of highly paid technical professionals often run into a host of internal conflicts about their work and how to do it, to say nothing of the interpersonal issues that arise. Expert approaches to leveraging conflict into creativity will distinguish OD professionals who become valuable partners to the team. That means OD practitioners will have to engage in some tough coaching to nudge people out of their old thinking systems to embrace new ways of working and thinking. Turf-defending will have to give way to new

bridge-building, and the OD support will have to include radical challenges to people who have succeeded in the past by playing politics rather than by nurturing diverse opinions and ideas.

OD professionals need to invent new ways to optimize creativity among headstrong, bright, highly educated, and often arrogant professionals thrown together to create, market, and sell breakthrough technology. One of my recent challenges was to help a team of engineers learn how to listen actively and empathetically rather than jump to debate every issue. Over time, they learned to transform their knee jerk reactions into a genuine desire for dialogue. Out of this new dialogue-driven environment has evolved a flexible, agile learning team. These smart individuals now work as a team that demonstrates respect for each member's viewpoint and builds on differences to discover solutions that had previously eluded them.

Address motivation and retention. OD professionals are going to be called on more and more to help think through issues of motivation in startup environments. Traditional career paths aren't always present in small, flat, team-based companies. They need nonhierarchical team leaders rather than middle managers. Highly paid, senior sales and technical people attracted to startups expect to be recognized by quick promotions for their previous leadership achievements. But at least two forces mitigate against that.

One is that the startup may not have a critical mass to support extensive management hierarchies. In such cases, the OD expert had better keep the startup from developing top-heavy structures prematurely. In startups that never evolve in that direction, *OD* might be reinterpreted as organizational design. New ways to structure and organize work groups are already a must.

Two, command-and-control models of leadership are archaic. Successful companies of the future (next month!) look more like natural-order phenomena than industrial age organizations. Specifically, new organizations structured in nested hierarchies of function and purpose are likely to be more successful than those shaped like the military. The evolution is from ladders to lattices—interdependent work teams rather than stovepipes. Another way to describe it is a shift from rungs on a ladder to ripples of concentric energy—acting not

one on top of the other, but in ever-more complex and interrelated circles of engagement. Traditional management practices—from structured succession planning to job leveling—will disappear in the next 25 years as the new dynamics of interdependent, power-sharing relationships replace top-down structures. That's spoken of widely but understood little. OD professionals have a chance to help this evolution by explaining the new models to line leadership.

A software engineering organization started out with a limited hierarchy and has remained as horizontal as possible. To protect that, it instituted a group-leader approach to project management. As time has gone on, the group leaders (who are not managers in the usual sense) have learned a great deal about managing their projects through influence, peer-to-peer teaming, and shared decision making. Instead of evolving the group leaders into laddered management positions, the company has retained the group-leader role, which has strengthened teams, enhanced cross-functional communications and accountabilities, and continually reduced development time.

Scan the environment. Another area of growing responsibility for OD professionals is environmental scanning. Presently, HR departments track compensation standards, benefit plans, job profiles, and competencies to be sure they're benchmarked against the industry as a whole for parity in their companies. Such efforts are competitively driven and a necessary part of the planning and execution of corporate HR strategy. Increasingly, OD professionals will take on the broader challenge of interpreting for the organization the implications of other social and environmental trends and conditions.

Build the new corporate conscience. Companies are already having to be more socially and environmentally aware of their decisions and actions. In short, there will have to be a shift from the "after the fact" protection afforded by the PR department spin doctors to a "before the act" consciousness-raising effort carried out by OD people charged with the responsibility of keeping the corporate values, vision, and mission clear and intact. For example, it was the OD consultant, not the PR department, who pointed out to a

technology company that it wouldn't be in keeping with its stated value of "enhanced world understanding through communication" to accept an assignment from a foreign government to install network security systems that would control citizen access to the Internet.

Establish purpose and meaning. OD professionals will have to support company leaders in establishing purpose and meaning in their work environments. OD professionals will translate into corporate philosophies and practices a responsibility for the greater good of life and the planet. In fact, that may become one of the most powerful recruitment and retention strategies of the future, as "doing well by doing good" increasingly becomes the criterion for successful organizations.

For example, I worked with a Boston-based company to define its core values and related strategic initiatives from the outset. It used those to develop focused interview questions for its selection process. The result has been consistent, steady growth of the culture as the company has grown. New employees are aligned with the corporate vision, mission, and values from the beginning.

Organizational transition is the dominant challenge for startups. Their leaders have to be fast and agile learners. OD professionals have to show them how to think differently about managing the dynamic opportunities characteristic of new work environments. Helping startup leaders as they grow the new business means OD professionals have to facilitate their personal development as models and mentors of flexibility, creativity, imagination, and sensitivity.

For OD professionals to support their customers effectively in looking at things in new ways, they themselves will have to be better at that. We all know that thinking differently about business strategies and tactics is not easy. That's underscored by the way some OD professionals stick to the tried-and-true approaches of the past. They won't work in the new business climate. OD professionals and their customers must beware of the quick fix and turn away from over-systematized solutions.

We must help our customers learn how to recognize challenges early, analyze situations fully, and generate unique, quan-

tum solutions. That's our most important role. When our own thinking is liberated enough to let us see our challenges, we're free to leverage them into new opportunities. Thinking differently and applying that skill effectively is an OD professional's new and most important competency. It will catapult us to the role of valuable consultants and partners to business leaders who are radically transforming themselves and their organizations. □

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