Chapter 8

Intro 1& 2

Internal Teams: Partners

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Content

- Intro 1 & 2
- Funding and Management Teams

FOUNDING TEAMS AND MANAGING TEAMS

Founding teams and Managing teams

Facebook founders
- Mark Zuckerberg
- Eduardo Saverin
- Andrew McCollum
- Dustin Moskovitz
- Chris Hughes
- **Key People**
- Mark Zuckerberg
- Sheryl Sandberg

Apple Founders

Steve Jobs
- Steve Wozniak
- Ronald Wayne
- **Apple Key People**
- Arthur D. Levinson (Chairman)
- Tim Cook (CEO)
- Jonathan Ive (CDO)
- Luca Maestri (CFO)
- Jeff Williams (COO

Founding teams and Managing teams...Cont'd

Yahoo founders

Jerry Yang

David Filo

- Wall Mart
- Founder: Sam Walton
- Key People:
- Greg Penner (Chairman)
- Doug McMillon (President &CEO)
- Brett Biggs (CFO)
-

Founding teams and Managing teams from the "Old Days"

- General Electric's Founders

- Thomas Edison
  Charles A. Coffin
  Elihu Thomson
  Edwin J. Houston
  J. P. Morgan

- General Motors' Founders

- William C. Durant
  Charles Stewart Mott
  Frederic L. Smith

- Ford Motor Company

- Founder: Henry Ford

- Key People: W. Ford, Executive Chairman & Jim Hacker, President and CEO;

- **FIAT**

- Founded by Giovanni Agnelli

- **Key People**

- John Elkann , President

- Olivie Francois, CEO ,

- Sergio Marchionne, President of Fiat Chrysler

Cvetan and Tane…From Zero to Hero and then…separation!

Some Conclusions:

- Very often, companies are founded by two or more partners

Companies are managed by two or more individuals, i.e. management team

Venture Teams

Intro, Importance, Complexity of Entrepreneurial teams, Employees as Venture Team members,

INTRO – 1 Simple Venture

• The simplest team is composed of two individuals and involves two personalities, two sets of abilities and **motivations**, and two careers.

• The relationship rests upon important interpersonal dynamics such as attraction, liking, conflict, leadership, power/dominance, communication, trust, and so forth.

• Of course, as the group gets bigger, with four, five, six, and more key players, the relationships become even more complex.

• Relationships, in terms of the number of possible two person linkages, grow geometrically.

• The team becomes a small group, with all the attendant dynamics such as "group think" or conformity, cohesion, and so forth

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INTRO 2: Task Relationships (Instrumental Versus Personal Relationships)

- Entrepreneurial teams are task-oriented groups (rather than relationship-oriented groups such as families, groups formed for therapy, and "leaderless" training groups).

- Task orientation requires "instrumental relationships" rather than "personal relationships." In an instrumental relationship, *the relationship itself* is *a tool for the accomplishment of a task or goal.* That is, individuals are presumably more concerned with the accomplishment of work than with developing intimacy, more con- cerned with a task than with the well-being of group members.

Importance of Venture Teams

- Investors recognize the importance of the venture team.

- "Most experienced private investors and entrepreneurs know that probably the most critical factor in determining whether a new venture ever realizes sales beyond $5 million …is largely attributed to highly effective venture management teams"

- If they…. lack a "balanced" venture team will not be considered by 50 percent of venture capitalists

- Finally, venture capitalists in three regions agreed that the ability

- to build a team, and to attract qualified people with proven skills to create the new enterprise, was more important than entrepreneurial personality and background

Complexity of Entrepreneurial teams

- Entrepreneurial teams, *those groups of individuals who come together to start a new venture or who come together in the early stages of the enterprise, may be considered* a special type of entrepreneur.

- The person who builds a team may have abilities, motivations, and personality characteristics considerably different from the "rugged individualist" who prefers to maintain hands-on involvement and personal control of key decisions.

- Recall that entrepreneurs tend to have only moderate social skills, have low needs for affiliation and strong needs for autonomy and control, are less conforming, and need less social acceptance than the general population.

Complexity of Entrepreneurial teams…Cont'd

- Entrepreneurs in general do not sound like team players or team builders.

- In addition, entrepreneurial teams require a complex level of behavioral analysis.

- No longer can we localize the entrepreneurial spirit and action in a single person and look to his or her abilities, motivations, and experiences. One person is no longer solely responsible for outcomes, and control is shared. Furthermore, the complexity   of entrepreneurial teams   in creases with size.

Venture Teams – Main Features

- The sole entrepreneur can fail more easily than entrepreneurial teams.

- The most successful new ventures are started by teams.

- Economic growth comes through collective entrepreneurship in which talent, energy and skills are integrated into a team, and this collective capacity to innovate becomes greater than the sum of individual contributions.

- 56 of the 100 best performing firms were team ventures and that team ventures had higher revenues, greater net incomes, and more successful market capitalization than non-team ventures.

- Building a great team is not easy since entrepreneurial teams are difficult to assemble and keep together, and the issue of entrepreneurial teams is multi-faceted.

- Entrepreneurial leader, is central to the entrepreneurial team.

- Qualities that the team needs to have includes relevant experience and skill, creativity, opportunity obsession and interpersonal skills.

- Entrepreneurial leadership can stimulate entrepreneurial team members to be more creative.

- When lead entrepreneurs have higher risk-taking, pro-activeness and innovativeness, they can stimulate their entrepreneurial team to be more creative.

Employees as Venture Team members

- **For every founder, there is an early employee that takes near equal risks in joining an early-stage company.**

- Aspiring founders have to actively assemble the team of individuals (co-founders and early employees) who can help in new venture creation. Such individuals may be:

  ➢ Direct Connections – family , friends , coworkers

  ➢ Indirect Connections - mutual acquaintance

  ➢ Impersonal search - strangers identified for particular abilities – Marjan and former secretary Zane and her sister asking: Would you believe him? Does he have the money to pay the salaries?

- Founders differ in their access to individuals whom they can choose as potential team members.

- Founders have strong incentives to draw on their pool of knowledge to attempt to build not only larger teams, but also teams with greater experience within the organization.

- BUT IS VE!RY EXPENSIVE TO HAVE A LARGE TEAM AT THE BEGINING

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PARTNERSHIP

Partnerships can make or break a company, Key Tips for Partnerships,

Why a lot of entrepreneurs and small business owners create partnerships? Key Tips for Partnerships;

How To Build A Great, Lasting Business Partnership? How many partners are actually needed?

Partnerships can make or break a company

- When two or more people start a business or carry on a trade together to turn a profit, the result can often be a strong union that blends complementary skills, financial resources, customers and connections to help the venture succeed.

- Relationships can sour, the business can fail, and the parties can decide to go their separate ways.

- It's important for partnerships to spell out what each person contributes, whether in terms of financing, property, labor or customers, and what each person expects in terms of profits and ownership.

"When everybody loves each other and has the best of intentions, it's a good idea to work out the 'what ifs.' You want to decide in advance who is getting what, who is doing what, who is responsible for what, and how to resolve disagreements -- what happens if one person wants to retire or one partner wants to expand and the other doesn't?" - Barbara Weltman, a tax and business attorney and author of such books as J.K. Lasser's Small Business Taxes (Wiley 2009).

Partnerships can make or break a company…Cont'd How to avoid breaking?

- *Partnership agreements:* It's important for business partners to have clear partnership agreements drafted by attorneys.

- *Clear expectations:* Business partners should consistently set their expectations with each other.

- *Think about your clients*: When evaluating a potential business partnership, I look at my weaknesses and what I need help with. I also think about my clients and what type of partnership would benefit them.

- *Mutually beneficial* : Partnerships should be mutually beneficial. Both sides need to gain something from the relationship for it to be worthwhile.

- *It's ok to walk away*: Like any relationship, a business partnership holds a great deal of promise. However, sometimes it doesn't work out. That's alright. Don't stay in a business partnership if you believe it's no longer viable.

- **Communication i**s another big part of a business relationship. Ongoing dialogue is so important because it helps to reduce the risk of assumptions and encourages you to stay focused on your shared vision.

Why a lot of entrepreneurs and small business owners create partnerships?

Benefits of a partnership

- Easy and inexpensive to set up.
- As long as you join with at least one other person and have the intention of making a profit from your business, you are automatically a general partnership.
- Partners pay tax on their share of partnership income on their personal returns.
- It's a way to attract prospective employees or "talent."
- A business potentially can reach new heights when complementary skill sets are gathered under a partnership.
- A partnership can also serve as an incentive to attract new employees if they realize they may become partners at some point.

Disadvantages of a partnership

- Each partner is jointly and severally liable for the debts and obligations of the business.
- All your personal assets are potentially at risk.
- Incorporating can help shield personal assets if your business is sued, or if your business partner is sued.
- Any asset you contribute to the partnership is jointly owned by you and your partners, and there's no assurance you will get it back when the partnership is dissolved.
- Profits that a business makes under a partnership must be shared with others.
- Any time you share decision-making responsibilities with other parties; there is the potential for disagreements.
- Partners are co-owners and that means they share management and financial control over the business.

How To Build A Great, Lasting Business Partnership?

The strength of the relationship you have with your business partner is a major determining factor in the success of your business as a whole.

Aligned ambition and Trust

Two things you definitely need in common are 1) Aligned ambition and 2) Trust

"The sense of what we value in life, what we place value on, is pretty close."

- You and your partner can be radically different, but you both have to have an undying commitment to your cause without keeping score.

Full Engagement

- Everyone contributes in different ways," "But it's not like one of us is here full time and one is here part-time.

- **We're both 150 percent engaged in this. You need that kind of commitment to make it a success, and to make it work."**

How To Build A Great, Lasting Business Partnership? (Cont'd)

The strength of the relationship you have with your business partner is a major determining factor in the success of your business as a whole.

Personal traits

- You and your partner should complement each other, even if you do things differently.
- "You can't be something that you're not. It's important to acknowledge the differences in traits and then manage where you both provide value to running the business, hiring people, working with clients."
- It's okay to disagree, but you need to respect your partner's opinions and ideas

Learning

- "We're constantly learning from each other, and I think that's the task of a good partner, is that you feel like there's a contribution and exchange from both sides," .
- The way you and your partner handle the business day-to-day, expenses, and even clients, can be completely different, but it doesn't mean the business won't work. But the way you handle it "has to come from your person,"

How To Build A Great, Lasting Business Partnership? (Cont'd)
The strength of the relationship…and the number of partners

- **How many partners are actually needed?**

- Partnerships with large numbers of partners (more than 10) can become unwieldy to manage.

- Partners can include someone else to perform services for a mutual client ,employees, spouses, family members, or associates.

II. Let us learn more about Groups and Teams

Why People Join Groups

- Security
- Status
- Self-esteem
- Affiliation
- Power
- Goal Achievement

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Group – Two or more individuals, interacting and interdependent, who have come together to achieve particular goals.

- Formal group-defined by org. structure

- Informal group-Neither formally structured, nor org. determined

- (appears out of need for a social conflict)

- Command group-Manager and his/her sub.

- Task group-Working together to complete a job task.

- Interest group-Working together to attain a specific objective with which each is concerned.

- Friendship group-Brought together to share common interests. (Social alliances)

Stages of group development

- **Forming**: Uncertainty about the purpose , testing the behavior. This stage ends when members think of themselves as a group.

- **Storming** (Attack): Intra group conflict; Resistance to the group constraint, Conflict over the control – Ends with clear hierarchy;

- **Norming:** Solidify of the group structure; Close relations and cohesiveness; Assimilated a common set of expectations of what defines correct member behavior.

- **Performing**-The group is fully functional, Energy has shifted from knowing each other to performing the task at a hand.

- **Adjourning state**- only for temporary groups. Includes finishing the task. Some members may be upbeat, and some discouraged for loosing friends.

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An alternative model: Temporary groups with deadlines

- Punctuated (interrupted) equilibrium model=Temporary groups go to transition from inertia to activity

Phase 1 Inertia (Inactivity)

- 1.Meeting sets the group direction, a framework of behavior
- 2.Once set it's unlikely to be changed
- 3. Transition comes at the half period (almost every time)

Phase 2 Activity

- 1. New equilibrium=execution of planes from the Phase 1
- 2. Last meeting – burst of activity to accomplish the project.
- USUALY USED IN PROJECT MANAGEMENT

GROUP PROPERTIES

- Roles
- Norms
- Status
- Size
- Cohesiveness

\-

I. Roles

Set of expected behavior patterns attributed to someone occupying a given position in a social unit.

We all play different roles (work, home, social clubs),

Shakespeare said: All the world is a stage

- **Role Identity**-Certain attitudes and behaviors consistent with a role: _People shift roles rapidly according the situation (Stewards, Management)_

- **Role Perception** –Individual's view about how he/she should act in a certain position **(IN)**

- **Role Expectations**-How others perceive the role **(OUT)**

- This is important for building **psychological contract (mutual expectations).** Employees expect that managers treat them justly, provide working conditions and adequate salaries and vice versa – employees are expected to perform well!

- **Role Conflict-** Confrontation between two or more Role Expectations – (father / executive) (church member / executive)

- STANFORD UNIVERSITY – PHILIP ZIMBARDO experiment

Zimbardo's Prison Experiment

- Faked a prison using student volunteers

- Randomly assigned to guard and prisoner roles

- Within six days the experiment was halted due to concerns
  - Guards had dehumanized the prisoners
  - Prisoners were subservient
  - Fell into the roles as they understood them
  - No real resistance felt

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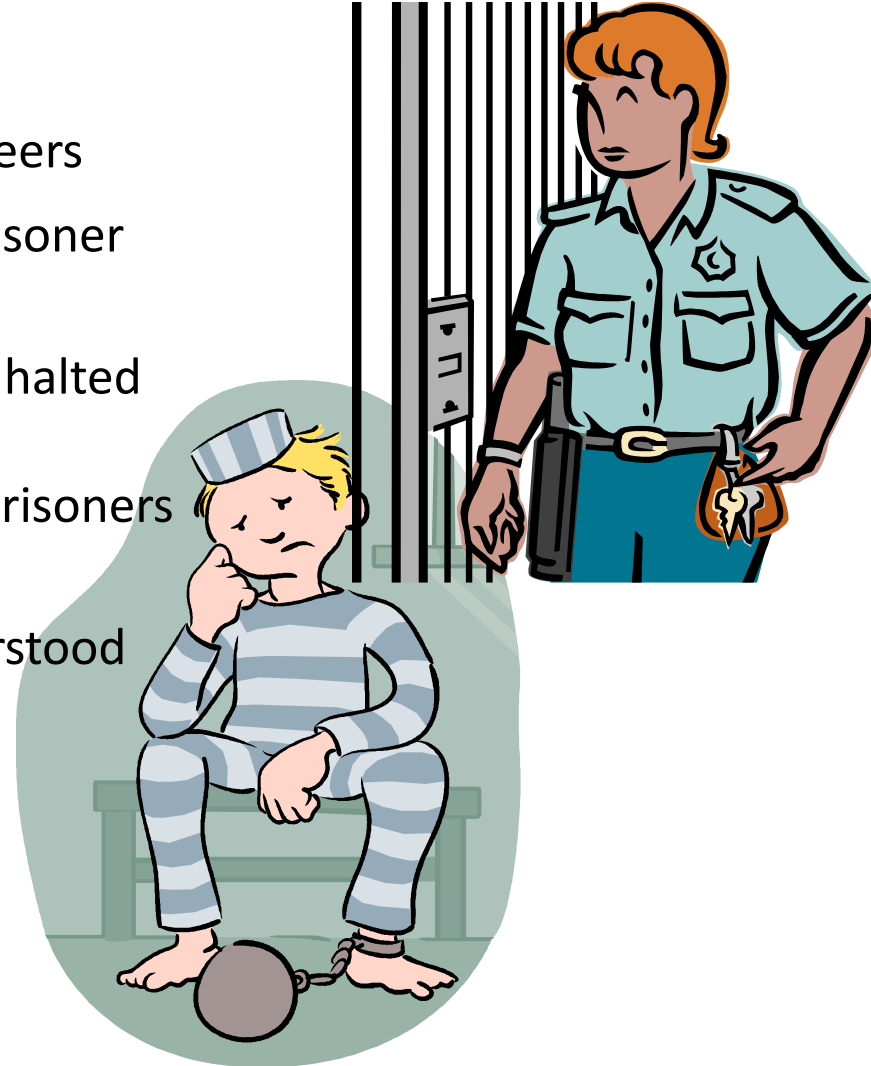
II. Norms

- **Norms** –acceptable standards of behavior within the group that are shared by the groups members

- Every group has developed a norms

- **Performance Norms**-How hard they should work, Level of output, How to get the job done

- **Appearance norms**-Code of dress

- **Social Arrangement Norms** – refers to informal groups: social interactions, with whom to dine, have a party etc.

- **Allocation of resources norms -** distribution of tasks, rewards, company resources

The Hawthorne Studies – Elton Mayo (1920-s) Harvard Professor

- Started with various levels of illumination;

- No changes of the productivity were related to the level of illumination;

- Thus a Control group – working under standard illumination was set.

- Increased light level – increased productivity in experimental group and control group.

- Decreased level - No changes in the output related to the levels of illumination in both groups;

- CONSLUSIONS: Illumination had a minor influence

STAGE II

A special group is set – with an observer keeping log;

Special group had INCREASED PERFORMANCE –They perceived the "status" of a 'special group".

 Researchers have become a part of the experiment

III. Status
Socially defined position or rank given to groups or group members by others

- **Group status:** Power, Contribution to group goals; Personal traits

- **Social status**: Power, Education, Earnings, Origin in class societies

- Important factor in understanding human behavior in a society that is not egalitarian.

- **Status and norms**-High status members are given the right to more deviant behavior and less

- **Status and culture** – The importance of status vary between cultures

- Japan size of the office plays no role, UK –family genealogy

IV. Group size and group processes

- Social Loafing (hang out)=Negative Synergy, the tendency of people to expend less effort then working collectively (pull the rope)

- Synergy – An action of two or more things, people, or organizations, especially when the result is greater than the sum of their individual effects or capabilities

- Social Facilitation Effect –Tendency to improve /decline performance in response to the presence of others

- Simple, routine tasks – improve complicated, intellectual tasks-decline

Group Property V: Cohesiveness

- Degree to which members are attracted and motivated to collaborate;

- Related with: productivity, performance norms and task attractiveness;

- Also depends on Group Composition

TYPES OF TEAMS

- Teams who run things – management team

- Teams who recommend things – nomination committee; credit board;

- Teams who do things – sales force team, R&D;

- According to OB Schermeron, Hunt, Osborn

TYPES OF TEAMS (Problem solving, Self managed, Cross Functional, Virtual)

- <u>1)Problem solving</u> –First type: Meetings once a week to discuss open problems

- <u>2) Self managed work teams</u> – take responsibility of their former supervisors
- 10-15 members
- Excellent results in Xerox, GM, HP, PepsiCo, GE,
- Problems when downsizing

III Cross Functional Teams

- Employees from about the same hierarchic cal level, but from different work areas, come together to accomplish a task.

- Task force is a temporary cross-functional team

- Committees- Group made up of members across departmental lines

- Becoming popular after 1980's especially in Project Management

- Car Industry Toyota, BMW, Dymler Chrysler, Electronics-Motorola

IV Virtual teams

- Teams that do not meet physically

- Use technology to communicate

- They can do the same that normal teams do with the advantage of joining distant members, except:

- Absence of Para verbal and non verbal cues (signs)

- Limits social context

Advantage-Overcome of time and space constrains

TEAM BULDING APPROACHES

- Formal retreat off site – 1-7 days usually with a consultant

- Continuous retreatment Approach – Team leader & The Team, monitor their progress on the regular bases

- Outdoor Approach – putting the team into a challenging environment

Making Ajvar

Formal retreat – Team Building

Organizational Structure –

Formalizing task positions is an important aspect of structuring new organizations, and this occurs through the documentation and allocation of task-roles.

The six key elements

- Work specialization

- Departmentalization

- Chain of command

- Span of control

- Centralization and decentralization

- Formalization

1.Work Specialization=the degree to which tasks are subdivided into separate jobs

- 1900-1960 –Specialization /Ford / Division of labor /

- Advantages: Skills, Training, Operations

- After 1960, Conts-Combination with more human and market approaches

- **Job design is the process by which managers group tasks into jobs.**

- Mac Donalds= chefs and servers /   Subway sandwich=no division

Job Enlargement= Increasing the number of different tasks in a given job by changing the division of labour. (Mac Donalds)

- **Enrich jobs=** increasing the level of **responsibility**

How does it all begin – Job Description?

- **Job Description**
- Job Holder:
- Job Title:
- Department or Branch:
- Division:
- Reporting to:
- Brief Description of Job:
- Key Responsibilities:
- Other Responsibilities:
- Committee Membership:
- Scope of Job (Location, Number of Subordinates, Budget Available):
- Required Experience:
- Measures of Performance Success:
- Signed (Employee)………………   Signed (Employee's Manager)………………
- Date:………………

2.Departmentalization-the basis by which jobs are grouped together

- Once the tasks are being allocated into jobs, the managers have to choose the next organizing decision:

- How to group jobs together to best match the needs of the organization's environment, strategy, technology and human resources.

- The result is organizational structure.

- At the beginning most of the managers choose to group the function together in a **functional organisational** structure.

- Functional Departmentalization /

- Process Departmentalisation

- Other forms are:

- geography,

- product,

- market

Functional OS /Divisional OS

- **Functional organizational structure**=advantages: Learn, Monitor, Easily deal with the task and general environment.
- **Divisional structure**
- As the organization grows, most managers decide to move into **Divisional structure=create separate business units for a specific kind of product or for a specific kind of customer.**
- Divisional structure can be:
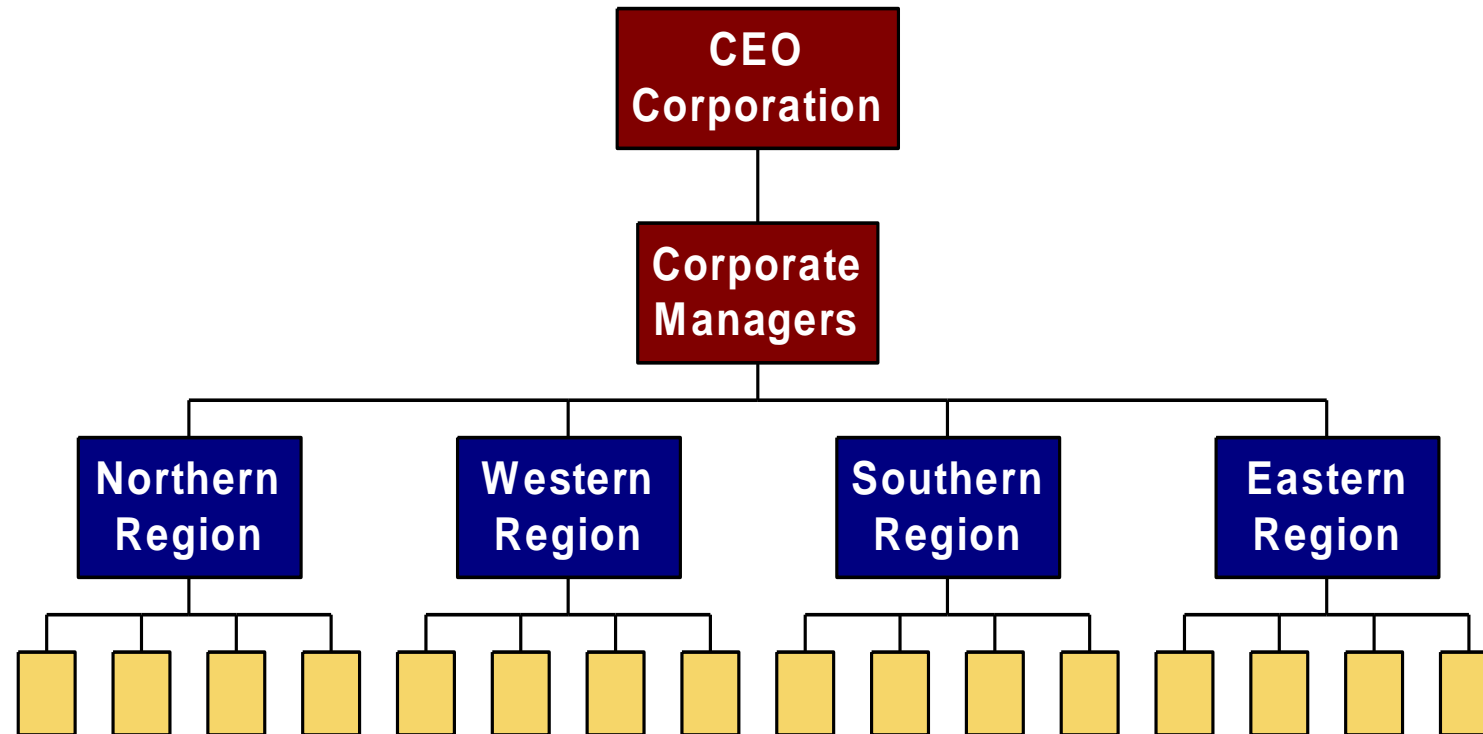- Product
- Geographic
- Market
- Process

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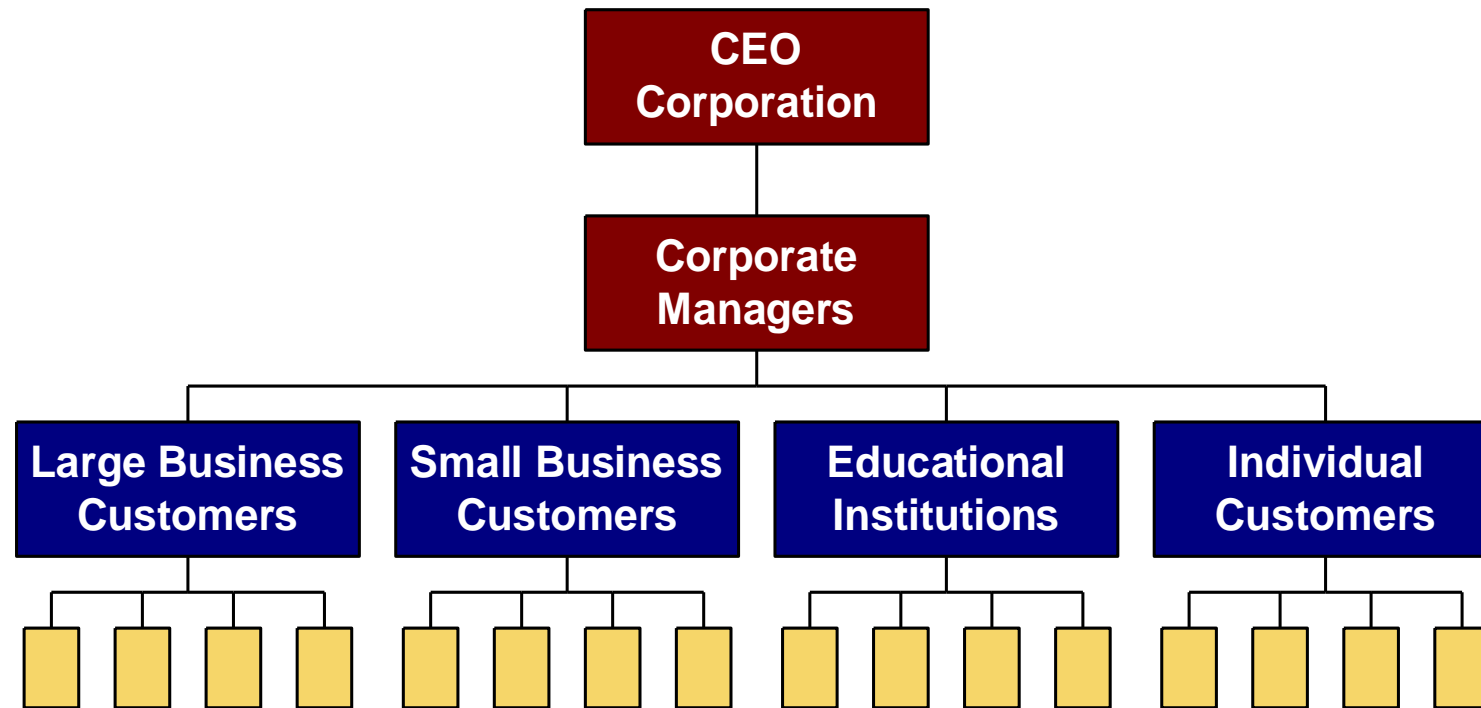FUNCTIONAL OS
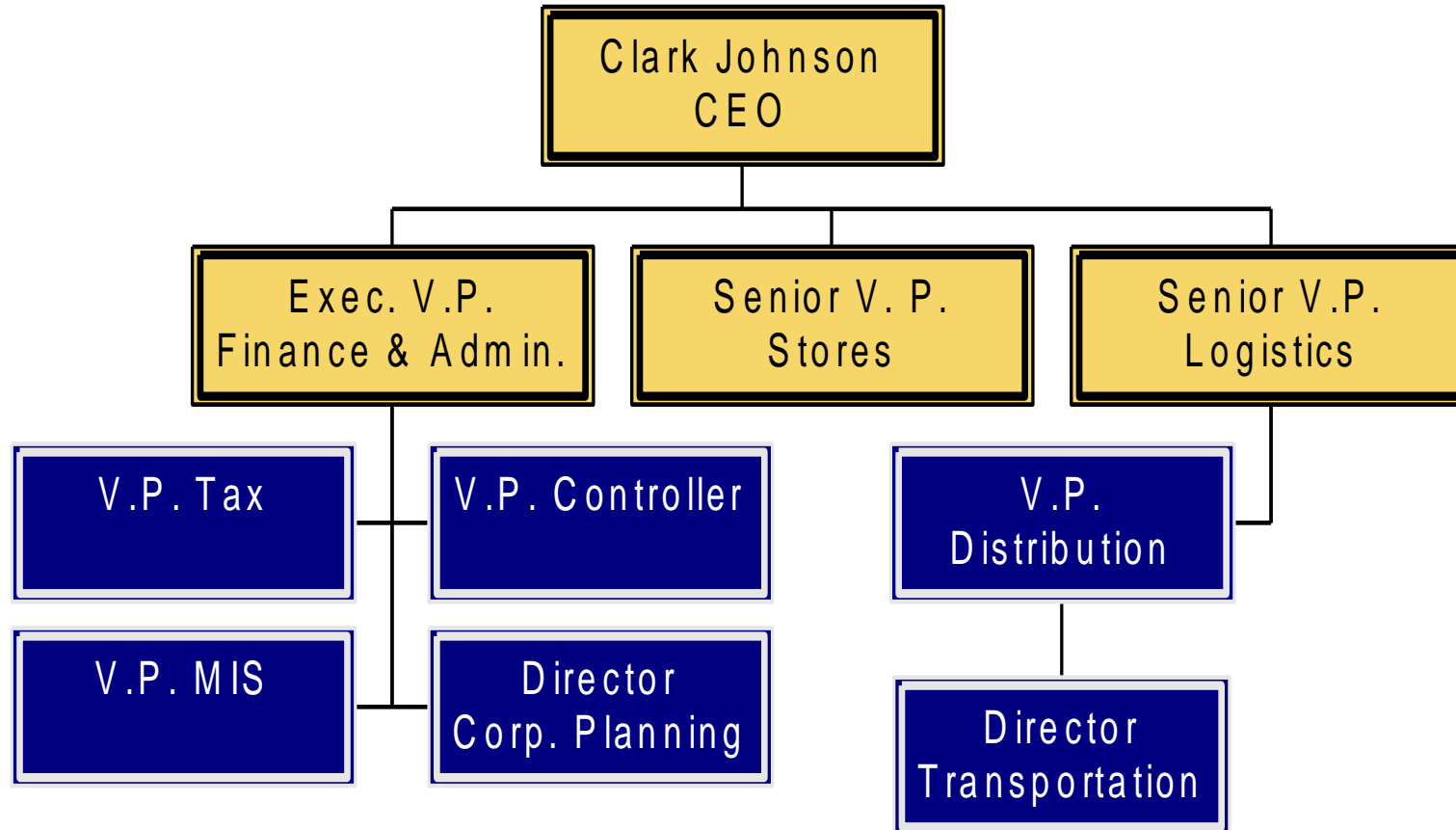
Divisional types of structure
Product structure
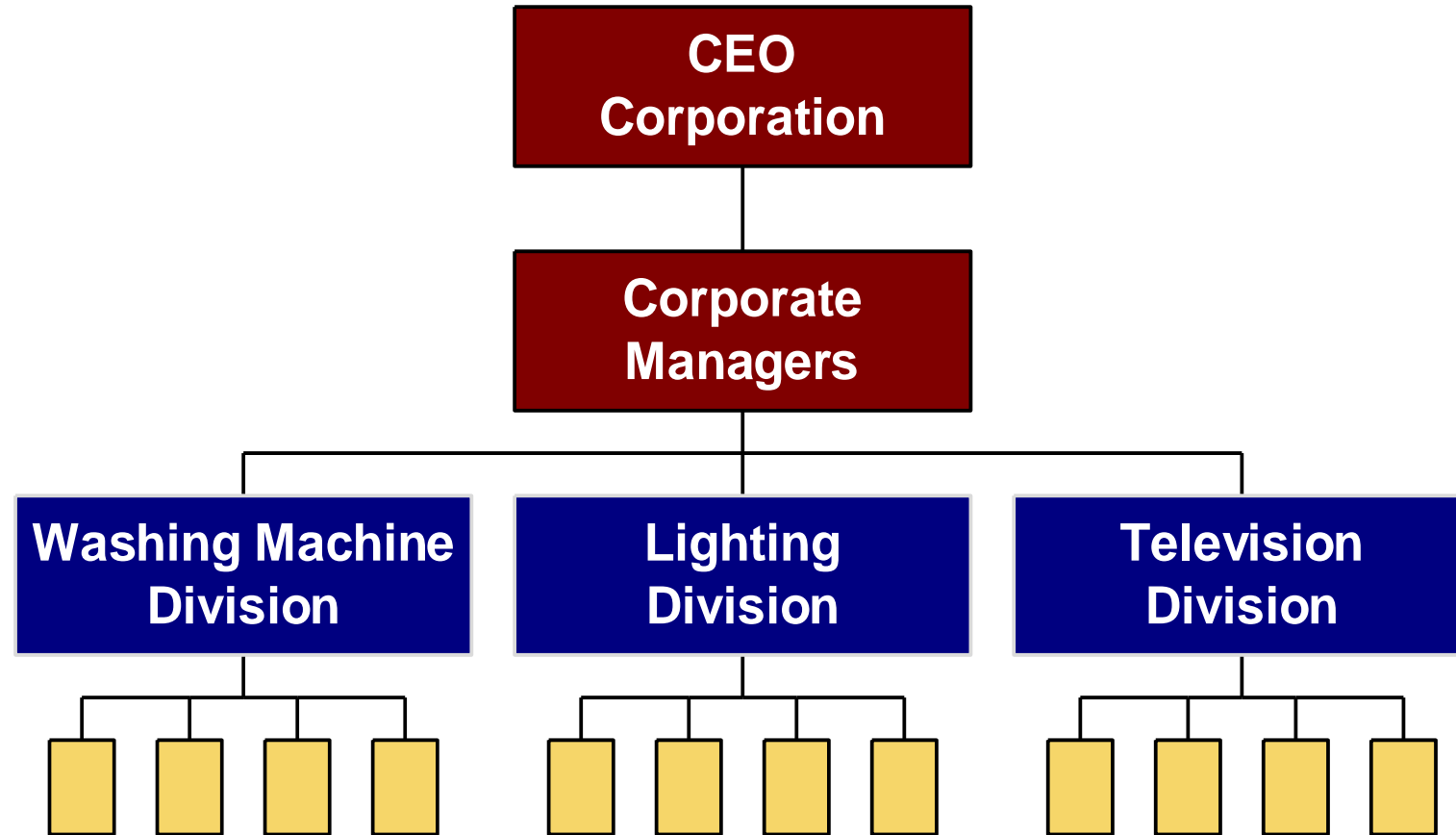
Divisional types of structure
Geographic structure

Divisional types of structure
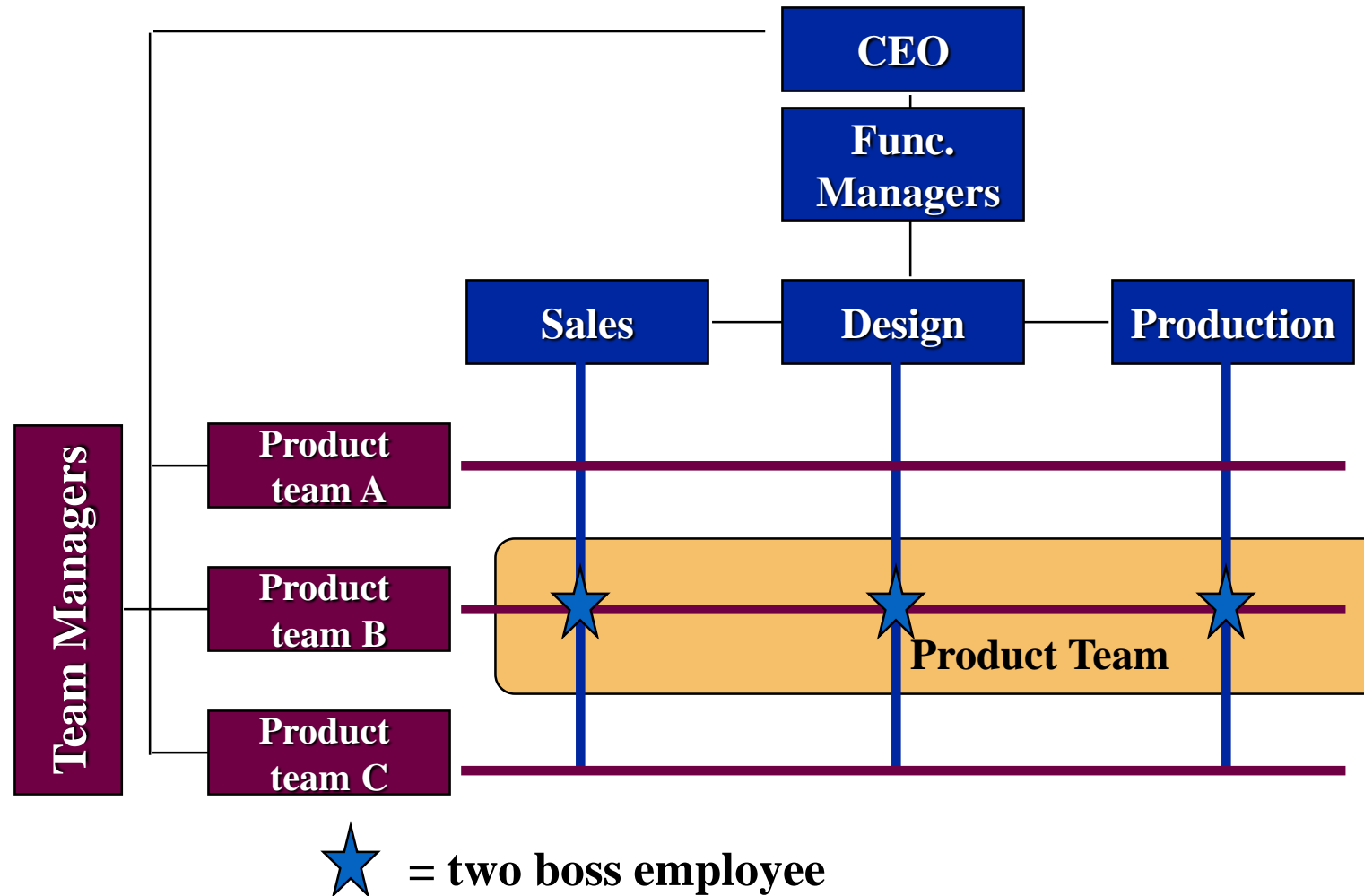# Market structure

# Matrix Structure

Figure 8.7a

★ = two boss employee

- **Team structure**-Use of teams as the central device for coordination

- Breaks down departments, Decision making within teams

- An organizational structure in which employees are permanently assigned to a cross functional team and report only to the product team manager.

- Cross functional team is a group of managers brought together from different departments to perform specific tasks.

- Result:
  - introduce a new model in 2 years, down from 5
  - Black & Decker can innovate new products in months, not years.

Product Team Structure
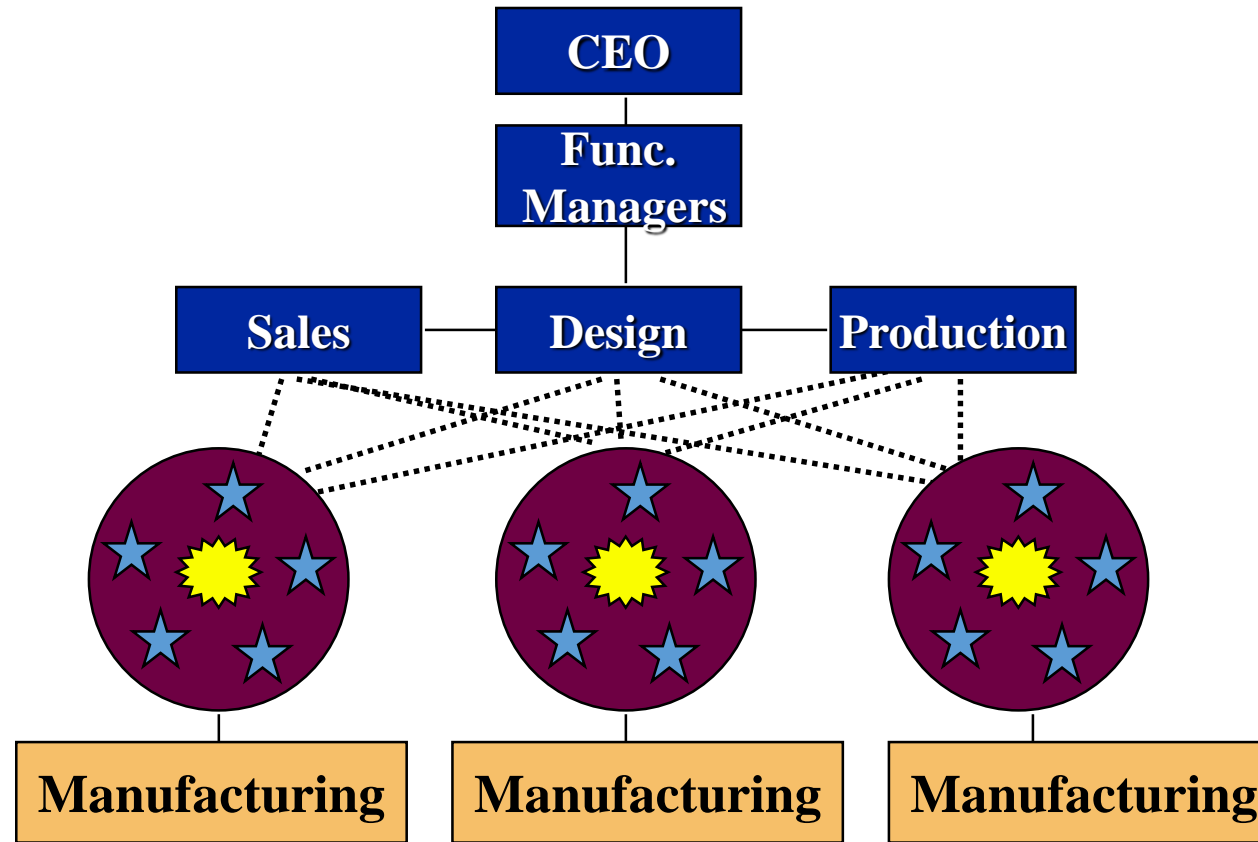
Virtual organization= small core organization that outsourcers major business functions (movies, VAR, SME – the role of services)

Shamrock organization = firms that operate with employees at three levels:

1) Core group
2) Part time
3) Outsource

Boundary less organization = seeks to eliminate the chain of command, have limitless span of control, and replace departments with empowered reams (GE is trying to be one).

BO seeks to eliminate 'boundaries' with:

Suppliers

Customers

- Supply of "solution" rather than a product or service

STRATEGY 3 –OTHER STRATEGIES

- Market penetration
- Market skimming
- Retention
- Niche markets strategy

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Learning Outcomes – After this chapter student should be able to understand:

- Tradition of launching ventures as a team

- Simple venture (and simple team) and task relationships

- Importance and complexity of venture teams;

- Main features of venture teams and the concept of "employees as venture team members"

- How "partnerships can make or break a company" avoid "breaking"

- How to build a great, lasting business partnership?

- The business term "group", the stages of group forming, types of group and group properties

- And discuss group roles and other properties;

- And discuss group norms and other properties;

- Some typologies of teams and what's the difference between teams and groups;

- The elements that influence organizational structure, job design and simple structure;

- Functional structure and divisional structures;

- Matrix structure and New design options