

# Coaching in start-ups

by Katrin Hinzdorf

The phone rings and on the other end I hear an agitated gentleman introducing himself as a partner of a well-known venture capital company (VCC). Before I can properly introduce myself, he blurts out that he has a new client for me, but with a caveat: it is super complicated and very urgent.

He quickly outlines what the usual day-to-day business in start-ups looks like. Founders or the start-up running CEOs are under tremendous pressure. Everything has to happen quickly: fast implementation and learning through failure, even faster recruiting and a speedy on-boarding of the new hires. If the specified business targets are not met, Darwin will prevail and there'll be no next round of financing. Most founders are in their late twenties or early thirties and not natural born leaders. To make the situation even more precarious, everything has to be achieved with a limited budget, which is spent on employees, but mostly on IT, product, and marketing expenses, and all within a clearly defined time-frame.

The gentleman on the phone knows the statistics precisely. 9 out of 10 start-ups wither on the vine or will never be successful from an economical point of view.\* However, to keep the probability of success as high as possible, start-ups and their founders have to face and overcome a variety of challenges. They are the imperatives to understanding the 'sink or swim' business objectives in a relatively short time:

- Recruiting: Finding and persuading top people to work within a fairly chaotic and ambiguous environment for a salary that is far below the market average
- Leadership: start-ups often grow exponentially in the first two years. Founders must ensure that everyone, despite 'light speed', is able to deliver
- Management of external stakeholders such as investors and board members: an art in itself, which often dictates the survival of the start-ups

We often hear the mantra 'the customer comes first', but more than ever for start-ups, the phrase 'the employee comes first' applies. Experts in the start-up scene estimate that "70 percent of all start-ups that fail, fail because of a problem with the team."\* To me a start-up is a hyper-mushrooming organization, the result of abnormal liquidity and artificial pressure, where organic evolution is no longer possible. In this environment, coaching can be a very powerful tool to guide founders through the leadership fog; however, coaching at this stage and level remains unusual, especially compared to the coaching and leadership programs offered by larger and international companies.

One reason is that even though money is available, it is channelled into building the business rather than spent on the development and integration of staff. Another reason is that founders and CEOs of start-ups often have a tendency towards narcissism, which surely helps to dismantle certain barriers, but can prove a hindrance in the interaction with and motivation of people. It's a logical consequence that this kind of 'leader' will not spend money on coaching.

However, it is not uncommon for investors and VCCs to foresee the danger of failure. Often, the result is the exchange of the leadership team, or the founder is given an experienced business leader to work alongside. Sometimes a coach is called in to support the founder in finding a better path to people's hearts and minds.

Here I see two developments:

- A degree of narcissism is certainly helpful to counter the "pessimism" of the outside world. In particular, serial founders have understood why it is important to pay attention to the above-mentioned human success criteria to overcome the probability of failure. Serial founders should know the importance of the issues that come with people: leadership; agile thinking and acting; a clearly articulated vision; and how to manage speed and insight-driven change even before the first 'line of code' is written. They should know where their talents lie, and where they can expect support from an experienced business coach.

- Coaching in incubator programs and business labs is increasingly offered by already established venture capital companies or national and international corporations in order to give start-ups optimal development conditions, thus enabling innovation outside of bureaucracy, narrow thinking and classic top-down projects.

This environment allows start-ups to learn and grow responsibly during the first critical stage, and is usually supported with some financial assistance and an operationally active team of experts. Also, it increases the probability of success as most of the 'weak spots' of inexperienced founders are covered. Not surprisingly, this increasingly includes psychologically trained coaches who deal with all sorts of people-related challenges.

Here are three cases I have encountered:

Case 1: Individual coaching of a founder. As an absolute control-freak, he drove his people nuts and left a frustrated team behind. His coaching goal: to move from his singular, opaque method of decision-making towards true entrepreneurship by empowering his team in transparent decision-making, and working in way characterized by self-responsibility and self-organization.

Case 2: A founder wanted to keep her demotivated #1 – her best worker, who usually pulled the strings inside the company -- so offered her a coach. However, after the first coaching session it was obvious that the frustration was caused by the lack of a clear vision in the company, and the daily drive to "bring in as many new products as possible." Team coaching was proposed, but as the founder refused to even consider the idea, this valuable employee left the start up. A few months later, the start-up folded.

Case 3: Coaching of a founder team. The goal was to demonstrate and construct an *aligned* leadership team for all employees in the midst of an extremely challenging situation for the start-up. Gained alignment and clear priorities helped the young start-up to reach the most important objectives, resulting in a new injection of fresh capital.

My experience tells me that once a start-up demonstrates a proven business concept, a coach can support the founder to find their own leadership path and thus accelerate their learning in the field of managing and leading a growing organisation through a heavy storm. However, it requires a clear and sincere commitment of the founder and the founder's team.

\*<http://www.tagesspiegel.de/wirtschaft/gruenden-und-scheitern-bei-start-ups-ist-erfolg-die-ausnahme/7768500.html>