

# Building a Technology Team

## *Alpha Beta and Beyond*

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By Peggy Thompson, Founder, Summative Executive Search

Ask successful technology VCs and they will say that the most successful early stage technology companies are those comprised of a great technology, ready market and a talented team of people.

The people component is often the least understood and most intimidating part of the equation. After all, people aren't a technology that can be designed, developed and released. They aren't a market waiting to be defined, penetrated and dominated. Instead, people are a complex mix of experience, emotions, intellect, creativity, thoughts and interests.

Some of the mystery around the people equation – around building a team of talented executives – can be eliminated. Following a solid, strategic hiring road map and proven game plan for assessing and attracting great talent will empower you to hire the right person at the right time for your venture-backed technology company.

Several years ago, I interviewed six of the country's leading early stage venture capitalists and service providers to further remove some of the mystery around the people equation. I believe the results remain relevant today.

Survey participants included:

- Mike Ahearn, previously Recruiting Partner, Greylock Partners
- Laura Capper, Founder & CEO, CAP Resources ([www.cap-res.com](http://www.cap-res.com))
- Rich D'Amore, General Partner, North Bridge Venture Partners ([www.nbvvp.com](http://www.nbvvp.com))
- Bob Davoli, Managing Director, Sigma Prime Ventures ([www.sigmaprime.com](http://www.sigmaprime.com))
- Blair Garrou, Managing Director, Mercury Fund ([www.mercuryfund.com](http://www.mercuryfund.com))
- Bob Stearns, previously Managing Director, Sternhill Partners

The results of the survey, as well as insights we have gained by working with many of the industry's leading early stage technology companies, are included in the following comments.

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## **“But, I Once Owned An Ice Cream Shop”: Experience Investors Seek in the Founding Team**

The founding team most VCs ideally seek is a group of proven entrepreneurs with deep domain expertise in the technical area they are working coupled with previous experience scaling a company and taking it public. Of course, that founding team must also be willing to invest its own money and work without cash compensation for the first two years!

*The ideal rarely – if ever – happens.*

Here’s the best that reality usually offers in the form of a founding team at the time of initial funding:

1. A technologist who has successfully built a commercial product.
2. A marketing and/or business development person who has previously brought a new product to market.
3. Someone who is, at the time of funding, successfully running the shop. This can be the technologist, the marketing/business development person or another, third person.

Experience sought by initial investors include:

1. Success in the niche or market to be addressed by the startup.
2. Some previous success as an entrepreneur.
3. Previous failure as an entrepreneur provided that the entrepreneur has learned valuable lessons and gained applicable insights into the process.
4. Previous experience raising capital.
5. Some successful corporate experience – not just a serial entrepreneur of small, limited ventures.

## **“I’m Really Smart and I Have a Good Idea”: Qualities Investors Seek in the Founding Team**

Being smart and having a good idea aren’t enough. Here are some of the qualities investors seek in a founding team:

1. Strong leadership skills.
2. Integrity beyond reproach.
3. Takes a “matter of fact” approach to business devoid of hidden agendas and volatile emotions.
4. Maniacally driven and focused.
5. Contained ego with a true sense of self and an accurate awareness of personal limitations.

For investors, these qualities indicate that the founding team will be:

1. Easy to work with.
2. Successful in: a) recruiting top executives to join the team, and b) convincing others to invest in the company.
3. Willing to step aside at the right time in order to bring in top, perhaps better qualified, talent to scale the company.

One of the VCs who participated in our survey put it this way:

*“Founders can be the most brilliant people in the world, but if they are going to be difficult to work with or can’t attract the right talent above or below them, we will pass even if the idea seemed great.”*

## After Initial Funding: The Only Constant is Change

It is safe to assume that the founding team will not run the shop through exit. (“Exit,” in today’s market, is generally defined as the successful sale of the company or, when conditions improve, an IPO.) Typically, from initial funding to exit as many as three executives will manage the helm as CEO of the company.

Top VCs will work with the founders during the funding process to assess the team’s strengths and weaknesses. Hiring road maps will be developed as part of this process. Ideally, pending changes to the founding team will be disclosed prior to funding. Often funding is contingent upon the acceptance by the founding team of this hiring road map.

Less scrupulous VCs – none of which were involved with our survey – will hide their intentions until after funding. This sets the stage for a painful, often contentious, transition of power.

### Funding to Product Release: Getting Where You Need To Go

While no two hiring road maps are identical, there are some common steps – some basic blocking and tackling tactics – that can be successfully taken by recently funded, early stage technology companies working to bring a new product to market.

#### Initial Funding to Alpha

- Product engineers
- Product managers
- VP Business Development/VP Marketing

#### Alpha to Beta

- CEO (high profile, “referenceable” alpha/beta clients improve the odds of attracting a proven, qualified CEO)
- VP Sales
- An “evangelist” (at this point, someone on the senior management team must be qualified and willing to serve as the official visionary cheer leader for the company)

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## **Beta to Generally Available and Beyond**

- Sales executives
- Other vacant executive positions (e.g., CFO)

If you err in any direction, err in the direction of ramping too quickly with great, proven talent. Provided your budget and burn rate will allow, a company full of great talent will only increase your odds of attracting new investors to the table.

## **Managing Titles: Never Call a Pig a Duck**

Paying attention now to titles will make scaling your organization later an easier task. Here are some general guidelines:

1. During the early stages, avoid using the title Senior VP or Executive VP. This will make the transition smoother when a more senior executive is recruited to your organization.
2. If someone is unproven in a VP role, hire him or her as a Director reporting directly to the CEO. Given them room to grow into the VP title.
3. If feasible, do not offer the title of CEO until absolutely merited or required. Instead, offer the title of President & COO to the top executive – particularly during the early days of an early-stage startup.
4. If the individual managing the finances of the company is not “bankable” through at least the third round of financing, that person should hold the title VP Finance, not CFO.

## **Combining Functions: Is it Really Two for the Price of One?**

Conventional wisdom may suggest that hiring a single executive to fill two roles on a management team will save the company money in the form of decreased payroll expenses. There are at least two instances when an early stage technology company should challenge this conventional wisdom:

1. VP Sales & Marketing – Hire a sales executive to fill the role of VP Sales & Marketing for an early stage company and he or she will define marketing as lead generation to the detriment of true product marketing. Hire a marketing person to fill the role and chances are you won't get the skills or style necessary to drive revenues during the critical early days.
2. CTO & VP Engineering – Although you can sometimes find a product visionary and process-driven product development team lead embodied in the same person, it is rare to find those unique and highly diverse characteristics in a single executive.