

Skin In the Game

On working with start-ups and their investors

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Annette Reissfelder is a seasoned coaching professional. Here is her take on the needs and challenges of start-up founders and investors, and how she helps them succeed.

A big chunk of your new business lately has come from working with start-ups and their investors.

Yes, this started back in 2019 when I discussed with the CEO of a clean-tech VC investor how he could support the growth of his team members who were starting to sit on the boards of portfolio companies.

At the outset, I worked with his investment managers who were senior enough to sit on those boards. Gradually, these managers started recommending me to start-up CEOs. Now start-ups are a challenging lot, because they are short of time and lacking funds, and founders might feel this was “soft stuff”. So, on one hand projects have to tackle a serious, mission-critical issue. On the other hand it is essential that the people who are trying to “sell them on the idea” – I mean the investors here – can speak from their personal experience how transformational this work has been for them. I don’t think I wouldn’t get through this barrier without that.

So based on these referrals, I now work with the C-levels of several very promising start-ups in both Germany and the Czech republic. All of them already have the track records to attract sizable capital rounds. Which is when their investors start looking hard at new hires to the management team, and will want to see a fit in terms of mind-set as well as skillset for scaling, not just for the new people, but also the existing top team. Which is a whole new game.

What is unique about the perspective of a VC investor?

In the essence, the benefit is that investors believe in the potential of the company, but aren’t 100% identified with it. Which gives them perspective.

Plus, their bet is also on the team. When lots of things change, people’s fears are triggered. The founders and the whole C-level have to stay the lighthouses, and also get through to the new people. For that, it’s critical that they find ways of dealing with their issues, individually and collectively, so that the company can focus on becoming more professional, and at the same time grow their client base. After all, that’s what investors are after. Yet with internal stuff eating up much energy of the “first line”, the



company risks running out of steam just when they need to stay focused on how to solve their clients' problems, so that they have a compelling proposition. That's all not trivial, and needless to say that most founders simply didn't have the time to become well-rounded managers, and are now snowed under in a situation where everything seems a priority.

The investors with their outside perspective can bring in a sometimes very unwelcome confrontation with reality. It's always easier to notice when people are about to run into a wall as an observer. And investors can also become vocal about it. When they aren't just looking at past failures, and attribute blame, but truly care about the evolutionary potential of the team, their impulse can be extremely positive and developmental. Good investors will think a few steps ahead, and not just to the next milestone.

OK. How do you get through to those founders?

One of the first things I bring up with them is that the special challenge of their situation isn't just about them personally, but comes from the context they are in. What do I mean here? After all, founders are torn between (1) developing the business, (2) keeping investors happy, (3) first becoming and then developing proficient leaders of execution, and (4) clarifying roles, expectations and contributions in the founding team beyond the org chart. All these are very challenging, but especially in combination. By then I usually already get a knowing smile...

Also, many founders come from a technical background, so that none of these four issues are necessarily their strong suit. Especially the role clarification within the founding team, which admittedly is the messiest, gets ignored for as long as possible. These founders are bright, and most people in the company highly respect them, and will tolerate a lot from them personally. But when you have a weak element in the chain, there is only so much pressure

you can stand as a team... And this is where investors play a crucial role – they can demand observable change, if they explain why. They realize this is super hard, and that the founders really need a hand with upgrading their skill set, so they bring me in to reduce their risk of failure, and also tension.

What qualifies you to do this work?

Firstly: I know how complex their situation is, and what it “feels like” to be in their shoes from personal experience. After all, I founded a company with super bright people who brought their friends and even family into the company, which is a super tough combination...

So, I can relate to their experience. In a way, I became the kind of coach I would have needed at a crucial stage in our company, when I felt torn between loyalty to certain people in the company, the company goals, and myself and my goals. Plus as I said, some of our people had deep personal relationships. Before I sold my share, I had carried a heavy burden for a year, which affected not only my impact as a manager, but ultimately, even my health.

Secondly, my experience of working with accomplished people in challenging situations; I know how to find the places they need to go to in order to find the energy for their change projects. And I this is the magic ingredient of any of my projects, whatever the scope and focus is.

Thirdly, many years of complex training and learning from my clients: And I don't have in mind just coaching skills. I draw on resources like systems theory, complexity, organisational development, and can take multi-generational

aspects into the picture. In my experience, most people can connect to what I call the wisdom of their real needs, and once we have this essence out in the open, it can manifest in actions.

“I first get a hunch of the underlying struggle inside my client's challenge...”

My “special sauce” if you like is that by working this way, I get a hunch of the underlying struggle inside my client’s goals. Putting all elements together allows us to put our finger on what level to address an issue. This is sometimes deep stuff that requires a relationship of mutual trust and respect.

For example, everything changes when a problem is no longer attributed to a value clash between people, but both parties can see an underlying systemic dynamic at work that is independent of the people involved.

Like when senior people with a corporate background are brought into a start-up, this often triggers an “immune response”. It’s a very liberating experience for everyone to find out this isn’t personal but a predictable initial response that can be channelled in positive ways. Which is what we do.

So if it’s an individual issue, what does that look like?

It often shows up as a dilemma, or double bind, that people get caught in. In the essence, these are “mind-set before skill-set” issues. Imagine a manager who holds these beliefs: “I must be the leading expert AND I need to develop a team of competent, self-accounting professionals” plus “I need people to do what I want, AND I need them to show initiative and think independently.” If the third is “We need clear structures and systems in place – AND we need people to be customer-oriented, flexible, and collaborative”, then that person is operating inside a perfect trap – and asks everyone else to join them there... Good luck!

Just how do you help them once that dilemma or belief has been exposed?

This is the moment when the process can pick up speed. We then start developing the practical tools they need if they want to see their changed thinking around their role translated into observable behaviour that impacts deep layers of the company.

Specifically, I help them channel their energy and their focus, increase the quality of their behavioural options, and concentrate on battles that are worth fighting.

Sounds like there is no standard solution...

Oh absolutely! I mean – I don’t meet standard people in standard situations, so how can there be standard solutions! People turn to me when they need results quickly, and are often in a high-stress situation on top. Basically, without really tuning into what the company and the individual needs, and tailoring my input to their specific needs at this moment, we’d never get traction. Coming back to the secret sauce – helping my client connect back to the deeper fibres of how they want to show up in the world is key. This grounding creates the energy that we need to fuel the process, which is an ongoing principle.

I do have a standard setup for the first three sessions of a collaboration though. We both need to truly believe in the goals we will be working on. I need to find out, and so do my clients, if they are ready for this kind of work, in order to can take an informed decision. This is why we jump in straight at the deep end, which works really well with bright people.

But why do you think your approach works? Especially when you bring the process in the first sessions?

Mhm. Maybe it’s because right from the start, people experience that they can see new pathways. The overall atmosphere is creative, constructive, and while it’s intense work, it’s with a light touch if you like. They come away with lots of ideas they can put to the test, and report in the next session that this actually works in their practice...

Change is always hard, and even more so when you are stressed already. In a way, we need to generate the extra energy before we can spend

it. The key here is “self-directed change”: and that’s what we work on from the first session. This is a ground-breaking experience for many people. And when at the end of a session their eyes start shining, that’s a beautiful moment!

Nice. What would you say is specific about founders?

Founders are often game-changers, explorers or mavericks from early youth. They hang out with similar people. Which means they start their companies with people who they’ve known for a long time. In many cases, these people are almost family, in some instances quite literally. This makes it threatening to the founder’s support system if there are conflicts. Which as a consequence, affect not just their business, but their whole life.

As any business owner knows, even in the best of times you “ARE” your business; it’s not just the place where you work. You are constantly “ON”, thinking up new, improved ways of doing things, making plans – yet you also muse on misunderstandings, problems, or perceived hurts in your downtime... All of this is human. But you need to find ways to deal with this stuff and get it out of your system.

What is unique about how you go about this?

I’d say, we look at mind-sets first, toolsets and skillsets second – a mix of what they need now, but especially what they will need in the future. I adjust to each leader’s specific context and personality. Anyone who has ever heard about mirror neurons will know why I pick up more things in a real encounter, and hugely prefer personal meetings over virtual. And so do my clients btw.

And since people are always working on their own goals, i.e. their vision of who they can and want to be, there is no resistance attached to developing new skills and especially mind-sets,



or dropping practices that no longer support their vision and their role in the company. This spreads in circles to others in the team, and allows them to hold people accountable. The difference this makes is hard to overstate. I’m afraid you have to experience it to fully appreciate what I am talking about.

My work with founders has 3 parts:

- create clear goals that energize and nourish them;
- develop the mind-sets and toolsets that will get them there; and then
- develop others in the C-level to share the stage.

You said you rely on investors to “sell” you to CEOs – how does that work?

VC investors are aware that, at the end of the day, the value of their investment rests on a handful of people. It’s a no brainer that it makes sense to support the best people so that they can show up consistently at 90% of their potential, instead of a fluctuation between 40-100%, with no way of predicting it won’t be 40 during a major negotiation or capital round. To make matters worse, these individuals may try to then “act the part”, which doesn’t work too well with the experienced investors who have seen a lot and pick up on stuff. So as an investor, you really don’t want your founders caught in a loop, feel “triggered”, sit in survival mode, or avoid a crucial decision because you can’t take another conflict...

I know that my proposition may be intangible for people who deal mainly with figures, not with the complexity of human interactions. On the other side, they do notice that their well-intentioned messages fail to produce different action, and that this isn't lack of good will. And even numbers people will acknowledge that there is a cost of not investing in making the team work, if grudgingly.

So when stakes are high, and there is a relationship of trust between the team and some investors, this person can make a referral. Which then brings new energy to the system.

I am a fan of skin in the game, and like to

work where outstanding outcomes are a condition for finding a budget for next year.

Having skin in the game is not limited to the start-up world. Some people who look like perfect corporate players have significant skin in the game, too, and not just financially.

But it happens to be investors rather than management teams now who often initiate a collaboration, because they are aware of what's at stake. Of course it remains tempting to forget there is also a price attached to doing nothing, or fail to react while there is still time. "Just" losing key talents and/or customer goodwill has a huge cost implication...

NB: This is not the original interview; it is the one *I wish we would have had* 😊.

So I revised the questions, and vamped up my answers two years later. I hope this article raises ideas or questions around a situation you are involved in. If you are either an investor or a start-up CEO with enlightened investors, I invite you to start the dialogue over coffee, virtually or personally.

You may want to receive a copy of my brochure "Purposeful Encounters" in English, German or Czech. Since my clients talk about very personal stuff, I only share this material if you are seriously looking into working together.

ANNETTE B. REISSFELDER

Purposeful Encounters

What Executive Reflectioning actually means for the careers and lives of my clients

Transcript of my debrief conversation with an esteemed top manager who had interviewed several CEO/board level clients

Dear Reader,

For over 20 years I have been dedicated to "Executive Reflectioning" - i.e. working with CEOs, top managers and company owners, and more recently with founders of fast-growing tech companies. In this context, I am at home in both corporations and family businesses in several countries and languages.

My core business is the collaboration with distinguished clients who are constantly under the scrutiny of their stakeholders. What they have in common is a latent creative restlessness, and higher expectations from themselves than anybody else has. My clients often recommend me - which works well because it is they who can best judge which introduction, from among their circle of acquaintances, might result in a stimulating and rewarding collaboration. I depend on this - because as you will also read in the interview: *Everybody has said that*

you are not necessarily the best for everyone - that some basic conditions have to be met for the collaboration to be fruitful.

What you are holding in your hands is the transcript of my conversation with a CEO friend. He interviewed a few clients where our collaboration didn't just invigorate them in their personal role, but left a mark on their whole companies. I can share details in a personal conversation.

This is a dense text - we are speaking on a meta level, trying to distill several hours of conversation. Plus, the interviews were in three languages...

Here is what I suggest: in a first go, spend only a few minutes on it. Browse the quotes and screen the last pages. If this sparks your curiosity, then - and *only then* - delve into the complete text.

