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Lessons in People Management – Lessons from Start-ups

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ABSTRACT

Over the last two decades we have seen an extra ordinary growth of start-ups and huge start-up ecosystems. This phenomenon is much more pronounced in countries like US, China and India with billion dollar plus valuation unicorns, successful entrepreneur role models and enormous media buzz. Start-ups are characterized by enormous zeal and enthusiasm about bring a great new idea to market and making a difference in the world. Such start-up's often start with a single idea or a single solution to an existing problem and with zero money. Still they attract hundreds and thousands of dreamy eyed employees who in many cases (if it is a very early stage start-up) work for free with a promise of deferred future wealth. The failure rate of such start-ups is as high as 90%; yet employees are happy to take the risk. Besides being strongly motivated, start-up employees are enormously productive and bring innovative ideas at rapid speeds.

How is it that start-ups have such passionate committed employees? How is it that start-up employees excel in innovation application?

In the lifesciences space we have an equal and perhaps larger opportunity to make a difference in people's lives. We create solutions that enable better medicines to be created. We have an equal opportunity like start-ups to get our employees passionately involved in the work we do by communicating clearly the enormous impact their work makes.

In this paper I articulate four categories of people management lessons from the start-up ecosystem to the life sciences industry namely: (i) Systemic Innovation Management -following a winning way of qualifying innovative ideas and building them into products/solutions (ii) Innovative Hiring (iii) Passionate Communication Styles - Start-up style communication that creates a sense of inclusiveness and positivity to employees (iv) Culture of achievement and results first.

INTRODUCTION

A cursory view of the business press/ newspaper in any part of the world will give a quick view of the Start-up Revolution in 2010's. Countries like US/China/India are churning out record number of start-ups in all Industries and Life Spaces. Business TV shows such as "Start-up", "Silicon Valley", "Shark Tank" have brought the concept to prime time mass audience. While entrepreneurship has been present since humans walked this planet, the focus on entrepreneurship has become much more main stream since the late 1980's. The success of companies such as Intel, Microsoft and Apple has created a whole wave of entrepreneurship. In the mid 1990's the Internet created a second wave of entrepreneurship and saw the emergence of companies such as Google, Yahoo. In the mid 2000's a new concept of start-up ecosystem which are clusters/ gatherings of entrepreneurs, mentors, investors, supporting state and federal governments, customers including corporate customers has emerged. We also have the whole new genre of startup incubators and accelerators which are precast structures (both physical and virtual) that enable greater percentage of start-ups to succeed.

Such young start-ups are characterized by extraordinary high levels of enthusiasm and excitement among employees. Early stage employees often join without any salaries and often work much longer hours than while working with their previous employers. The enthusiasm and excitement they show often spills over to social media, where in many cases they passionately exposé their start-ups brand values.

Besides extraordinary levels of enthusiasm, start-up employees show case very strong levels of applied innovation. Most start-ups hardly have any financial capacity to take one idea to market, let along two. They are able to precisely target on the key innovations behind their start-up idea/themes and take them rigorously to market. Through early stage customer testing, customer interviews, lean start-ups, Minimum

viable products (MVP) they focus on qualifying ideas and building them into products and solutions in the fastest possible ways.

I believe more mature industries with well defines standard operating procedures such as the Lifesciences industry can benefit immensely and improve employee innovation application. I also believe we can learn significantly from the passion index of startup employees. In this paper I explore four broad categories of people management lessons we can acquire from the start-up revolution namely:

1. Systemic Innovation Management -following a winning way of qualifying innovative ideas and building them into products/solutions
2. Innovative Hiring
3. Passionate Communication Styles - Start-up style communication that creates a sense of inclusiveness and positivity to employees
4. Culture of achievement and results first and

SYSTEMATIC INNOVATION MANAGEMENT

Start-ups are often based on an idea of Inspiration or an idea of Perspiration. Very broadly start-up ideas come in two different traits (i) An Inspiration based on specific external stimuli such as travel, personal lifestyle, personal passions such as art (ii) An idea acquired during the course of a long observation of a day to day work flow associated with a corporate activity. An example of an idea of inspiration includes starting an AI based music recommendation start-up, based on reading a newspaper article which talks about how music of future will be custom music based on a person's moods. The reader of the article found this article inspiring and aligned with his/her personal sense of music listening. An example of a start-up of perspiration includes, a practicing Information Tech professional working in a large main frame maker identifying the need for data base software to process greater amount of data in a faster manner – Larry Ellison founding Oracle in early 1990's.

Start-ups and start-up ecosystem often have well established step by step ways of qualifying ideas and taking it to market. Concepts such as Lean Start-ups, MVP have been well established. Such concepts are also well understood in the start-up ecosystem and even taught in formal (academic courses) and informal (YouTube Videos). Most start-ups use a formalized experimentation method generating a minimum product which is (a) useful to a customer (b) useful to a very particular customer segment and (c) useful enough for the customer that they are willing to pay for it.

In most cases the various steps involved in scanning an idea/ validating an idea and building the first minimum viable product often involves the following sequence of steps:

1. Build/ refine an idea from an initial phase of raw inspiration or perspiration such that it can be communicated at least at a high level to a prospective customer/ employee. In the sheer task of building the idea into a formalized mechanism (such as a power point or brochure) at least 30 percent ideas get dropped.
2. Validate the feasibility of the Idea through a series of prospective customer interviews. Customer interviews are often conversations where the entrepreneur explains the idea and asks for feedback. A strong interest/ lack of interest gives a clear indication to the entrepreneur on the complexities ahead of taking the idea to market.
3. Research on the market using tools of both primary research and secondary research. Primary research often involves an entrepreneur seeking out audiences (prospective customers, industry experts) on the potential size of the market and the various segments and categories in the market. Secondary research involves online/offline research, Search engine tools and other academic sources.
4. Define the customers based on the segmentation of the market, customer needs and customer capacity to purchase a product. Most initial versions of a start-ups product are built based on a razor thin definition of a paying customer.
5. Define the Product / Solution (Solution in case of a service or non product start-up) roadmap starting

with the first version, then the MVP, the first product for a generic customer and later evolutions of the product.

6. Validate the product with customer trails and rollouts. Real validation of a product/solution is the customer's capacity to pay for the product and his/her capacity to use the product and create value from the product.
7. Pre-Sell and sell the product acquiring more and more customer knowledge at each stage of the sales/ pre-sales cycle.
8. Support and further sell the product- while an initial sale is a key indication for product/ solution validation; a continued customer usage of the product is a far more serious validation of the product relevance. In case the product is sold as SAS (Software as a Service) or Pay as you go model, continued customer usage of the product is essential.

The advantages of such an amplified and accelerated innovation mechanisms are many: (a) they enable rapid product introduction (b) they enable rapid revenue and (c) they enable customers to use the product rapidly.

The Lifesciences industry solves very serious life and death problems and in many cases not all elements of a rapid innovation curve can be applied. However the Lifesciences industry can use a four step framework, learning from accelerated innovation mechanisms (including from start-up innovation mechanisms):

1. Learn the art of amplified/ accelerated innovation management as exhibited by start-ups
2. Look for opportunities in the product/ solution lifecycle to have more customer conversations at earlier stages in the product cycle; just as start-ups do while building their Minimum Viable Product.
3. Look for opportunities in our product/ solution lifecycle where a customer's problem can be addressed in a fast and prioritized manner. Solid customer conversations (just like in start-ups) can enable our industry to prioritize / segment various customer problems.

Institutionalizing a culture of innovation, creativity, thinking out of the box, hearing the customer's voice and being passionate about solving customer's problems can be lessons from the start-up ecosystem. People managers, HR managers, leaders of the organization at all levels need to become innovation managers. Innovation management is inherently multi dimensional and needs cross cultural teams involving people managers, individual contributors, HR leaders and senior leaders of corporations. Innovation management is not an overnight process and needs continuous grooming and culture building.

INNOVATIVE HIRING

Most start-ups have fairly different hiring mechanisms compared to larger companies for multiple reasons: (a) Until they reach much larger levels of funding they cannot afford to pay regular salaries (b) they need employees who deal with ambiguity extremely well (c) they cannot afford long employee ramp up and on-boarding times. Many start-ups use social recruiting both formally and informally as basics of their recruiting. Employees are highly encouraged to shares resumes of their friends and past co-workers. Since start-ups rely on tight social structures among employees to speed up innovation, employees who work well together or have worked well together are likely to create speeded up innovation. Start-ups and young companies incentivize employees to share resumes of friends through formal and informal mechanisms. In some cases they provide a formal referral bonus, while in many other cases they provide informal recognition. At Ephicacy Lifescience analytics, employees are measured annually on three vectors: (a) contribution to the customer (b) contribution to the company and (c) contribution to yourself (such as through learning new skills). Referral of resumes is often one of the easiest ways for employees to score well in contributions to the company.

There are several start-ups that enable gamification of recruiting. An Indian Start-up RippleHire makes it easy for start-ups to hire through employee social networks. Start-ups also hire through hackathons. Good examples of hackathons at global levels are Google Code Jam, Google Summer School of coding among others. Google Code Jam is an international programming competition hosted and administered

by Google. The competition began in 2003 as a means to identify top engineering talent for potential employment at Google. The competition consists of a set of algorithmic problems which must be solved in a fixed amount of time. Google code Jam has been in existence since 2003 and has served as a role model for several start-up hiring. Likewise at junior levels/ student levels one of the best global coding programs in the GSOC (Google Summer School of coding) program. Google Summer of Code is a global program focused on introducing students to open source software development. Students work on a 3 month programming project with an open source organization during their break from university. Since its inception in 2005, the program has brought together 14,000+ student participants and 24,000+ mentors from over 118 countries worldwide. Google Summer of Code has produced 35,000,000+ lines of code for 651 open source organizations. While the GSOC is not a recruiting program and often involves college students from freshman level onwards, it serves as a good benchmark for talent.

The life sciences industry can definitely learn and benefit immensely from the nontraditional hiring mechanisms pioneered by start-ups. In the Lifesciences industry we solve a variety of very complex, humane problems that need nontraditional solutions. We can package such problems and thrown them to the open community to solve through hackathons both physical and virtual. Hackathons get richer and more rewarding if the problems being addressed are more complex. The Lifesciences industry offers very complex problems to solve compared to any other industry; problems of human health. Besides, we can nominate our top talent employees to organize/ moderate/mentor such hackathons. By participating in such extranet innovation ecosystems, our employees have a great platform to learn/ speed up innovation and co-create innovation in some cases beyond the borders of the corporation.

INSTITUTIONALIZING PASSIONATE COMMUNUNICATION

The start-up employee formation often follows a pattern of co-founders (or a sole founder) starting with a basic undeveloped idea. In most cases the co-founders have no product, no salary to offer and a 95% certainty of failure; yet they manage to attract talent and grow the company. How do such very early start-ups get started? I believe most early stage employees join a start-up based on the raw magnetism of the co-founders communication. Apple is a company which is very famous for the magic personality of its founder, Steve Jobs. In fact reality distortion field is a term first used by Bud Tribble at Apple Computer in 1981 to describe company co-founder Steve Jobs's charisma and its effects on the Apple employees and stakeholders. The founder's charisma, verbal / non-verbal communication skills are the single most reasons to attract the first set of non founder early stage employees. When the product/solution reaches a stage of minimum viable product (MVP) professional employees with a start-up mindset join in. When funding levels starting at Series A kicks in, regular employees start in.

Start-ups have a cadence of extra ordinary levels of open and transparent communication across employees, across multiple levels and even communication levels with external stake holders. Due to flat organizational structure and less number of people managers the information flow in start-ups is faster. This serves as a significant competitive advantage for start-ups in speeding up innovation creation. Start-ups employ a variety of communications styles including:

- Standard Written communication
- Standard Verbal communication
- Passion based communication where the co-founders of the company seek to convert employees into passionate believers in the core reason for the company's founding
- IP/ Ideation based communication including blogs both internal and external
- Social media based communication which is probably the easiest to comprehend and understand
- Hackathons / co-working towards a problem sometimes with external stake holders and
- Gamified communication where employees get points for contributions to solving others technical and business problems. Tata consulting services (TCS) for example uses gamification and reward points dashboards for employees that actively participate in using obsolete inventory. Employees are rewarded points or incentives based on their rate of use of obsolete inventory and earn Silver, Gold, or Platinum positions. This ensures more employee engagement, creates a competitive yet

collaborative team environment, and helps the workforce model behavior differently.

The Lifesciences industry has similar reasons like start-ups for employees to believe in the company's vision/ mission. While a Start-up/ young company like Uber makes transportation easy and available to everyone, the Lifesciences industry accomplishes a far bigger task; of saving lives and improving quality of life. The Lifesciences industry can accomplish a more passionate communication style in three steps:

1. Create a far greater sense of inclusiveness just like start-ups do
2. Communicate regularly on the nature of problem the industry/ company is solving and its importance
3. The relevance of each and every employee and their activity and how the activity cascades into a larger problem solving

CULTURE OF ACHIEVEMENT

Start-up's have a culture of "achievement first / hierarchy or pedigree next". Start-up employees are known for their creativity and capacity to achieve more with less. According to Bill Gross, founder of Idea Labs, "Putting people together in a start-up is the best way to change the world. Start-ups provide the best way to unlock human potential". In the process of getting together, aligning passionately behind a problem, solving it faster/ better and in some cases cheaper than anyone else; start-ups become inherently creative. In the early stage of a start-up, the focus is on getting a single solution/ product with the best possible features while deeply understanding the customer needs far better than anyone else. With such a razor sharp focus, the meritocracy of the company becomes extremely strong. The meritocracy culture of start-ups lasts much longer than its early stages; companies such as Microsoft/ Apple which grew very fast from being a start-up to Fortune 500 companies retained their razor sharp focus/ meritocracy for much longer.

Flipkart is an Indian e-commerce giant recently acquired by Walmart. Flipkart was founded in 2007 by two alumni of the prestigious Indian Institute of Technology Delhi and ex employees of Amazon. Flipkart is well known in India for it enormously productive culture. In many cases the culture of achievement / creativity and entrepreneurship stays as a permanent skill set of the start-up employee. Paypal Mafia is term used to denote a group of former PayPal employees who have after leaving PayPal created several very successful companies such as Tesla Motors, LinkedIn, Panatir, SpaceX, YouTube, Yelp, Hammer and several others. Likewise in India, the term "Flipkart mafia" is a term used to denote the over 207 start-ups founded by ex-employees of Flipkart. Flipkart has powered the entrepreneurial ambitions of an entire nation in two ways: (a) By becoming role model unicorn (Start-ups with valuations greater than $1 Billion) and (ii) source of talent.

The Lifesciences industry can learn several lessons from start-up culture of achievement:

- Create a sense of achievement overlooking hierarchies. Provide employees a sense of end to end ownership, making them part of the overall decision making process
- Focus on productivity and not number of hours. At Ephicacy we strongly discourage employees from talking about their number of hours, instead we focus on their achievement. Messages on productivity are continually talked about.
- Build a strong sense of positivism focusing constantly on results and achievement. According to a Harvard Business review article, a positive work climate results in a positive workplace culture which in turn boosts commitment, engagement and performance.
- Avoid a sense of negativism. In a large scale study of 3000 employees conducted by Anna Nyberg at the Karolinska Institute there was a direct correlation between leadership behavior and heart disease in employees. Communicate negative news openly and directly and as quickly as possible.

CONCLUSION

In the Lifesciences industries employees especially those involved in the core drug research such as statistical programmers, statisticians, data managers and researchers create enormous impact in the lives

of people. Our work has a direct role in enabling medicines to be made available to people who need them. Hence it is extremely critical for us to bring about the most innovative practices into our work. A capacity to recognize innovative ideas among our employees, qualify the ideas, fine tune the ideas, make changes in the ideas, assign teams to work on the ideas are all essential for building Innovative teams. Besides being able to recognize and implement innovation, we also need to bring in more of a communicative and hyper passion culture into our teams. These are important traits for energizing a young work force, especially a work force of millennials and Gen Z. I believe start-ups and start-up cultures are great places to learn on implementing Innovation and ways to build communicative/hyper passionate cultures. By bringing the best of our mature process orientation and fast paced approaches of start-ups we can make more rapid contributions. By identifying the best talent especially among a young work force through new and innovative ways, we can speed up innovation creation. Start-ups in short have been the most disruptive work force change in the last decade. We in the Lifesciences industry have an enormous opportunity to learn strong “People Lessons from Start-ups” and make a bigger impact in the world.

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RECOMMENDED READING

- *The Lean Startup – Eric Ries*
- *Lean Product Playbook – Dan Olsen*

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