Innovation, the human factor in companies from startup to mature.

(A view by a business angel)

© Kurt Nybroe-Nielsen

1. Introduction

1.1 Setting the scene

The purpose of this book is to provide an insight into the human factors that are important and critical for companies to become successful. The human factors can accelerate innovations or the opposite. It can even cause businesses to fail.

Under the headline "Innovation" very one will find different motives and values for such initiatives, which will have its origin in the human factors. Innovation in its ideal form is based on a general genius technology and competence plus excellent businessman ship.

Unfortunately other values hide under the headline "Innovative Company". One extreme is cold and cynical speculation and the other is lack of a solid technology base and/or lack of businessman ship.

The first category often rides on a wave of hype around a new technology or market trend, where cynical people try to obtain a profit on behalf of less competent investors.

The other category is made up of amateurs trying to reinvent the wheel, that already has been invented elsewhere. Typically they do not have the necessary competence and try to convince local laymen of the concepts and enter a project agreement to provide such a solution. Often they fail or are taken overtaken by the original inventors.

The audience of this book is entrepreneurs, managers, innovative business people and private individuals that want to invest in start-up companies.

Some savvy businessmen and managers already possess the knowledge of and insight into the human aspect, but few really aware of the all its consequences. As regards to" newcomers", this book will ease their way into understanding the human factors which is both essential in individual relations and when working in teams.

Most entrepreneurs are more occupied with their innovative idea than considering the human aspect. This is a fatal mistake since many start-up companies have failed do to lack of awareness and knowledge of this aspect and this book provides them a handbook how to address the subject, they will find advice in this book, about the type of qualities the individuals need

December 2008
Marbella 29603, Spain

to have in order to establish a successful business.

It took me some 20 companies to reach the clarity I possess today and Im still learning. In the many companies I have been involved in, I have worked with people from many countries all over the world. The aspect of multicultural and religious elements adds a whole new range of areas to discuss and analyze. I do not intend to cover these in detail, but I will mention examples from real life in which the understanding of these differences was critical to the business.

From my experience you can have companies with good ideas and products, which fail due to the human factor. You can have companies with average products, but excellent people with the right human experience and that creates good companies. This is why I took the effort of writing this book, hoping that readers will benefit from it.

"To be successful you have to enjoy doing your best while at the same time contributing to something beyond yourself."

"If we agree that the bottom line of life is happiness, not success, then it makes perfect sense to say that it is the journey that counts, not reaching the destination."

Quotes by Mihaly Csikszentmihalyi

1.2 Background

The sources of inspiration to write this book are many. First and foremost, I have been privileged to have the opportunity to participate in some 20 start-up companies. But I do not only have a burning passion for innovation from a personal point of view. It also derives from the energy innovation generates within the participating people and the impact it has on society.

The difference between an employee and a founder/entrepreneur is that a founder does not distinguish between working hours and free time. He does not work for glory and pomp, but is obsessed with making a reality of his idea and get it out to the world. An employee works to get a salary, grow in the system and finally earn enough to be able to retire nicely. These two different worlds of thinking, I believe, say it all.

I have never come across a book addressing the subject of innovation as I do it in this book including the human aspect. When I look at entrepreneurs, I see two main categories: the technical and the managerial entrepreneurs. The first category is most often in the focus of the many books on the subject. The second category is only sparingly covered in the management literature and therefore, this is the category I will cover in this book. However, both are crucial in developing successful companies, the technical entrepreneur participate with technical ideas, whereas the managerial entrepreneur addresses the business aspects and organizes the company with the appropriate people and infra-structure.

"I believe the real difference between success and failure in a corporation can be very often traced to the question of how well the organization brings out the great energies and talents of its people." Thomas J. Watson, Jr. A Business and its Beliefs (1963)

1.3 Why are managers so important in innovation?

True managers have a crystal clear understanding of their goals and have a well-defined and strong conviction of how to execute their strategy. They do it consistently and in congruence with their principles, values and belief. Therefore, they have no hidden agendas neither to the company surroundings nor the employees. Managing is telling the truth. This relates to the external relations, i.e. board of directors, investors, customers, etc. Likewise, the manager tells and communicates the truth to his employees, including being honest about the direction of the employees and the "truth" of their performance. However, there is an exception to the above-mentioned rules of telling the "truth". This happens when evil forces try to undermine the leadership or confused individuals with out purpose jeopardizes the leadership. The first category there is no mercy the leader will strike in return on fair terms with the same consistent execution as leading a good business. The second category he will try to guide in the right direction. If not successful in that effort, he can either dismiss the individual or put then individual to a place in the organization, where he can function in a better way.

Managers shall in addition to having a good business sense also be a god leader. During this book I will refer to the manager as a person possessing both capabilities.

Wisdom is critical to the leader. Experience accumulates into wisdom if you are a reflective person. Experiences can be communicated in two ways. One is by describing the negative or positive that one has experienced. Another is to explain the reasons leading to the events and how they can be avoided. We all can make mistakes, but the outcome can be very different. Some uses the failures as an opportunity to improve and find new and better ways to deal with problems and issues. The leader should of course belong to this category. The other extreme is to see the mistake as an irreparable failure and get stocked with no further progress. The reason for this is typically a missing moral compass and/or emotional intelligence, each of which is explained in section 1.9 of this book.

The interesting thing is that the ability to get the best out of negative and positive experience comes to us in different stages of our life. It would be splendid if people could experience this ability at an early stage in life that may result in a better life with oneself as well as with others. Furthermore, the amount of innovative actions would grow which again would result in an increased number of start-up businesses.

1.4 Key participants and their importance for innovative companies

1.4.1 The manager

Innovation does of course not only involve managers. Innovative companies involve a large team of very skilled and dedicated people, who will all be addressed in this book. All of them are critical to success and any failure from their side can prove to be hurtful for the company.

The manager can be looked at as the general. The type of general I have in mind is the type of general that through an interactive process with his officers creates strategies and tactics in which the enemy is analyzed and the battle defined. From the many inputs he receives, he establishes a consensus among his officers, what strategies to implement and how to play the enemy. He then orders the team to fight and leads them through the battle. He constantly keeps close contact to his key lieutenants and adjusts tactics during the battle, but he accepts no deviation from the "orders". A deviation from "orders" can happen for different reasons. One is lack of understanding of the order, another is lack of capability to meet demands and finally disloyalty sometimes exists. The first can be corrected by better and clearer communication. It is of utmost importance that the general and his lieutenants communicate in an unambiguous and clear language. The second will be dismissed and send home or given other tasks that fits his capability.

Once the general initiates the battle into victory, there is no other option than winning the battle. In war, the general cries in his heart when he orders his troop into war and when he welcomes them home and thanks them for fighting. The only difference is that in innovative companies the general both smiles when he launches the battle and when he and his soldiers have conquered the market.

1.4.2 The entrepreneur

The entrepreneur can be divided into a number of characteristics. The most common is the "engineer", this person is not necessarily educated as such, but represents a person with a deep knowledge of a technology, process or subject which allows him to invent new ways of addressing these. It is not uncommon, though, that he lacks understanding of the market, the competition, the end user or His Requirement. The engineer therefore needs to connect to a market specialist.

The other type of entrepreneur is the marketer. The marketer has an understanding of the product and its value for its customers. He adds a qualified understanding of the market, competition and distribution channels. In a product business plan, the marketer describes the product business in all aspects and validates the path from idea/concept up to launch of the product and its lifecycle, profit and loss.

The third type of entrepreneur is the manager. He has an overall understanding of the business: market, development, production, sales and marketing, finance, organization, etc. And he understands how they interact. He ensures that a solid business plan is in place, organizes the company and coaches his team. He performs like the general described above.

The final type of entrepreneur is the lifestyle entrepreneur. He enjoys his product idea, but he does not wish to scale up the business to create a real company. Unless the lifestyle entrepreneur invites a marketer and or a manager, the business will usually not take off and therefore, this type of entrepreneur will not be any further addressed in this book.

1.4.3 The business angel

Off course money is important to a start-up businesses, like petrol is to a car. With no money there is no driving. With no money there is no business.

Start-up companies have limited possibilities for financing. Banks do not offer a credit line unless there is a running business. Since the company does not have products at that time, it has no income.

Venture companies rarely invest this early in a companys life cycle, unless the founders of the business are seasoned individuals that have created successful businesses before.

Some start-up companies take on project work or consultancy work in order to create the financial foundation to implement their business plan. Such companies get a slow start and often fail to take off since they get stuck in the project/consultancy work. Other alternatives are to take up a loan based on personal collaterals like a house, etc. or look for institutions that support start-up companies financially to a certain extent. Business angels are a good source of equity or risk capital that invest their own funds. They may also have some knowledge of your type of business. In return for a share in the business, they will plough in money at their own risk. They operate very quickly, often making decisions in a few days based on little hard data after only a few meetings with the person seeking finance. Angel networks operate throughout the world and, in some cases; these networks operate on the Internet. In Europe and the US, there are hundreds of networks with tens of thousands of business angels prepared to invest several billion pounds each year in new, small businesses. You need to understand their criteria to have the best chance of raising money in this way

The business angel has typically started his own business and thereby created their own wealth and not least obtained the knowledge of how to start up a business and all the difficulties around that process. When the BA invests in a start-up company he often participates in an active fashion at board level and/or operationally in the start-up company if certain tasks cannot be performed or solved by the staff available in the start-up at that time.

The advantage of a BA is that he brings experience to the table that can save the start-up for unnecessary costly mistakes. In addition, he is very likely to have a network that can bring support to the start-up and accelerate the various stages of a start-up, such as distribution channels, license agreements, further financing, recruitment of consultants, etc. In return for his efforts, the BA usually gets the increased value of the shares in the company. He thereby has the same motivation as the founders of the company.

There are some “false” Business Angels and these are the business sharks and devils. The business shark is a person only focused on obtaining an economic advantage no matter the price and he will be discussed more in chapter 3. The business devil often calls himself a business angel, but is in reality a consultant looking for work. Both categories are important to keep separate from the business angel, who has one single objective and that is to assist in the creation of a successful company.

1.4.4 Employees, management and board of directors

The employees I focus on are the functional specialists who are also very critical towards the business. Without their skills, business will be slowed or even damaged seriously.

The management team made up of a manager and his officers is the unity that sets the direction of the business and ensures a consistent execution to reach the goal. In “stormy weather” they protect the business and its people and correct direction if necessary.

The board of directors is the external representatives that with their collective expertise ensure that management executes consistently and meet the goals and objectives and conducts it in a correct and ethical manner.

Regarding important human factors for the three groups mentioned above: the Board of Directors, the management team and the functional specialist, chapter 3 and 5 will focus more on these. The requirements for the various categories of participants of the start-up company will be discussed. Some of these requirements will change over time and this aspect will also be assessed.

1.5 The geographical scope of business

A few years ago, the question was weather to start locally or globally. Today this is an absurd question. Of course you cannot start in all markets at once. Rather than starting in your local market, you pick the market that is most suitable for your product and preferably a relative large and homogeneous market.

As the various markets around the globe start to feel the need for your product, you address these markets. Often a minor adjustment is needed to give it the “local” flavor.

Small businesses can grow by this approach to 100-500 million Euros in less than five years, if the rest of the business is executed correctly.

1.6 Timing, one of the most critical factors

Timing is one of the most critical elements. To understand forces behind a perfect timing, one must think of a conductor of an orchestra. If he or she does not ensure a correct timing, the music will sound terrible and listeners as well as musicians will quietly leave the scene. The key human factor in perfect timing is the calmness, compassion and perseverance of the conductor and his ability to communicate this to his musicians. Exactly the same way a leader must lead his or her team.

Consequences of arriving too early or too late to the market place is either loss of money on sales and marketing before the market really takes off or there will be a loss or reduction of market share.

An understanding and feeling of timing is therefore an important factor to add to the list of requirements of a good manager.

1.7 Human factors that inhibit innovation

No matter which of the participants in start-up companies we talk about, there are human elements that may destroy the potential contribution of the person in question.

These are among others vanity, greed, arrogance, insensitivity, immorality, inability to forgive, irresponsibility and a bad temper.

In my time as an investor, I have experienced companies failing because of some of the above-mentioned human weaknesses. From the more general business press, examples can be found about this. The topic will be addressed throughout this book, where practical examples will be included.

1.8 Selecting participants to companies with the optimal human mix

Various types of companies have different requirements to its participants. Therefore it is critical to select the right mix. To assist entrepreneurs in selecting the right type of people for the various roles in the company, we present some optimal models to this end.

1.9 Harvesting the value

Once a company is up and running with black numbers every month, an increasing growth rate and a significant market share in one or more markets, then it is time to look into strategic directions for the future. Conquering new markets and inventing new products and services are all necessary to survive the long distance. A continuous consolidation is happening all the time. That leaves basically two options open.

- Continuing to grow and become a dominating market player, or - Being acquired by a larger dominant player.

At this point in time the board of directors really gets to work. They have to decide whether to get further financing for growth or find a suitable large player that will pay the right price and ensure that the company with its employees gets an exciting future with a new owner.

Getting additional financing can happen through corporate loans, issuing of shares to capital funds or by going public. All of these possibilities will be analyzed and examples from real life will be discussed.

Selling the company to a larger corporation requires at lot of businessman-ship. Practical examples of this will also be discussed.

1.10 Emotional and Moral Intelligence and its importance for innovation

Emotional and Moral Intelligence are key human elements that are crucial to developing a successful start up company . In various sections of this book will be given examples of how lack of both types of intelligence can damage companies.

Emotional Intelligence presented by Daniel Goleman in his book: describes the following dimensions as the basis for Emotional Intelligence:

- Knowing ones emotions (self-awareness) - Managing emotions - Motivating oneself - Recognizing emotions in others - Handling relationships

Doug Lennick and Fred Kiel focuses defines Moral Intelligence on four principles that are vital for sustained personal and organizational success.

- Integrity - Responsibility - Compassion - Forgiveness

Small start-up companies have many issues to deal with and if the wrong individuals are involved, this can slow or even destroy the company. By applying Moral Compass to all human interactions in the start-up process from recruitment/hiring, selecting investment partners, board of direction and establishing contracts/agreements, chances of success increase many folds.

“If you build that foundation, both the moral and the ethical foundation, as well as the business foundation, and the experience foundation, then the building won’t crumble.” Henry Kravis

2. Types of startup companies

This chapter will discuss and present four different types of start up companies:

- The sustainable growth company
- The product oriented company
- The lifestyle company
- The charity company

The two first are the focus of this book and the two others just mentioned since one comes across the from time to time.

2.1 The sustainable growth company

The sustainable growth company has a mission from start to grown up company to be leading in the market place. From an initial idea/product the company continuously develops and markets new products maintaining their position in the market.

"To turn really interesting ideas and fledgling technologies into a company that can continue to innovate for years, it requires a lot of disciplines." Steve Jobs

There are three major areas that have to exist for a company to become a sustainable growth company and they are:

- Validity of idea/concept
- Understanding what funding required and obtaining the funding
- Having the right people in the right place

This book will elaborate in particular on the human/people side of business, since the other subjects have been covered in many books.

The sustainable growth company is a company setup based on a well thought through idea/concept that addresses important issues in the market place. In other words there is a need for a product that can reduce costs and/or time to perform and increase revenue for the customers.

When founding such a company it is important to understand the amount of funding required. The main costs are determined by: Start-up cost, speed to market, scale and support costs. Investors have to be found and convinced of the project.

In a sustainable growth company it is very important to build up a professional team and not being dependant on individuals. The company has to sustain in the longer term and not just for a shorter period of time. This is key to the sustainable growth company versus other types of companies, where shorter-term horizons are relevant.

That is not to say that individuals with great talents or special talents are to be avoided. In particular the inventors/ entrepreneurs are key to creating ideas/concepts and thereby products, but the company should minimize the dependence by building up an organization that can sustain even if key personal leaves.

The sustainable growth company is aiming for a leader position in the market and eventually going public. The success of the company should depend on individuals as little as possible in order not to suffer, if such person leaves or disappears. Of course every company have key people that represents the company and its visions; by aiming at broadening such representation, the company is less vulnerable.

2.2 The product oriented company

The product-oriented company is characterized by a high degree of technology focus and skills among its founders and employees. The core value of the company is in its technology or in terms of its patents and its employees.

The above parameters are the key, when the product oriented company is going to be sold for the reason of getting the technology and/or products out into the global market place and the founders and its employees are going to harvest the value of their efforts in developing world class technology/products.

If the company founders do not aim for getting the products out into the greater market, it is developing into a life style oriented company that is described later in section 2.3. In the same way if the founders decide to grow the company into a market leader on it own, it develops into a sustainable growth company.

Since product oriented companies are aiming to sell their technology and/or products it is important to protect them through patents. The stronger patents the better to increase value.

Also it is important to protect the company value by ensuring that the people involved in the company are loyal to the company also after a take over by another company, which typically is a larger one, that lacks the technology/products and/or resources and/or skills to be active in the particular market.

2.3 The lifestyle company

The "lifestyle" oriented company is characterized by having a founder that typically is a technical entrepreneur. He enjoys his technology and the improvement of it. He typically hires engineers to help him implement the product he has conceived.

He needs customers for his company to survive. But he is not interested in scaling his business to large volume. He will often create customer specific solutions modifying his products to meet some specific requirements of the customer.

The short characteristic way to describe such company is: "They just do it for fun".

2.4 The oriented company

In Wikipedia the following definition can be found: "The concept of Not Just For Profit (NJFP) captures an expanded spectrum of values for defining and measuring For Profit private sector organizations not only by their ability to generate Profit but also by their determination and success in driving a benefit for People and/or the Planet. A Not Just For Profit Company is therefore a sustainable one and is applicable to companies of all sizes and all levels of maturity, from a Start-up Company to global enterprise. The NJFP concept builds on the Triple Bottom Line reporting used in large corporation Corporate Social Responsibility strategies." It will be beyond the scope of this book to go into all the interesting developments that such companies can develop into. The ultimate type of such company is the charity company, which purely aim at serving one or more specific causes. We will not spend more time on this type of company, but just highlight that even larger corporate companies are starting to look into their social responsibility.

3. Role model regarding key participants in startups

Before discussing the participants, the model characterizing the participants in general is discussed. The efficiency of individual participants is made up of three elements and they are: – Personal character& social skills – Professional skills – Experience The personal character & social skills have been mentioned in chapter, but is further discussed here. In his book Emotional Intelligence, Why It Can Matter more Than IQ, Bantam, 1995 Daniel Goleman presents the following dimensions as the basis for Emotional Intelligence: – Knowing ones emotions (self-awareness) – Managing emotions – Motivating oneself – Recognizing emotions in others – Handling relationships 85-95% of the difference between a “good leader” and an “excellent leader” is due to emotional intelligence (Goleman, 1998). GOLEMAN, D 1998, Working with Emotional Intelligence, Bantam Books, NY. Goleman analyzes both the inner competencies that enable us to manage ourselves ranging from self-awareness to motivation and essential social strengths such as influence, conflict management, and team building. He vividly shows how these play out in some of the top corporations in the world today, including the damage done when they are lacking.

Doug Lennick and Fred Kiel in Moral Intelligence Enhancing Business Performance and Leadership Success, 2005 Pearson Education, Inc. focuses on four principles that are vital for sustained personal and organizational success. – Integrity – Responsibility – Compassion – Forgiveness There is a powerful correlation between strong moral principles and business success. In this book, two globally respected leadership experts illuminate that connection, define the specific competencies that comprise ”moral intelligence,” and show exactly how to promote it throughout your organization. Drawing on extensive original research, Doug Lennick and Fred Kiel demonstrate how the best performing companies have leaders with a strong moral compass and the ability to follow iteven in a world that may reward bad behaviour in the short run. Lennick and Kiel identify and help you build the moral skills leaders need most, including integrity, responsibility, compassion, and forgiveness. They offer realistic guidance on being a moral leader in both large organizations and entrepreneurial ventures: guidance reflecting decades of experience coaching executives at the very highest levels. Specific human factors that have a negative influence on any commercial business are: – Vanity – Greed, – Arrogance, – Insensitivity, – Immorality, – Inability to forgive, – Irresponsibility and a bad temper. I will use them to illustrate how they damaged businesses I was involved in. The professional skills are of course another factor that influences. But professional skills can take different forms, such as: – Academic versus application oriented – Process oriented versus result oriented – Group oriented versus individual development oriented. The most effective “configuration” for a company depends on the type of product/service that it develops, produces and distributes. Application and result orientation is normally the most optimal, when the company is aiming for new products/services with a regular interval like 4-6 months. When development of a product/service involves 2-3 digit numbers of man-years the team oriented development is the most optimal. Experience is the third factor that is important for an efficient development, production and distribution. I characterize experience Into three types of experience – Individual – Team – Product The individual experience is another important element. By having been through many projects of developing, producing or distributing products/services a certain routine evolves and the time it takes decreases, precision and quality/stability increases. The team experience is the second element that effects the efficiency of the development, production or distribution. The more in the habit of understanding the importance of clear and well defined interfaces between different the individual tasks and subparts of the product/service, the better and easier will the subparts integrate into a product/service and individuals efforts into team efforts. Product experience is the third element that element that in the efficiency. It is very rare that a product/service is developed, produced or distributed in the optimal way the first time. By the next generation of the product/service these issues form the first generation are normally solved and an efficient solution provided.

3.1 Key participants

As already discussed in section 1.4, there are two key players in terms of starting up a new company: one is the entrepreneur, the other is the manager. The entrepreneur is important to generate ideas and concepts. The manager is important to ensure the development of idea/concept into a product/service. The manager organizes the company team necessary to be successful in defining the product/service for the market, developing it to meet the required functions & performances with the required quality and distribution of the finished product/service. Sometimes, but rarely the two are contained in one person although such persons exists. In the following I describe them as separate individuals. To ensure there is a market for the idea/concept a marketer is required. Again such a capability can exist in both in the entrepreneur and the manager, but will be discussed as separate individuals in the following. The marketer validates that there is problem in the market that requires a solution. He defines a product/service that solves the issue. He moves on to define market segments, how to attack the market segments, generates launch plans and tells the story that sales team have to tell in their selling of the product/service. He also ensures that training and support documentation is made available to the sales force in order to make them effective. The staff members are required to perform all other functions, which are necessary to run the business such as production & logistics and finance. These are important functions they will however not be discussed in the same detail in this book, as it is done for the other participants. Sometimes business angels are involved. They are typically characterized by being savvy business people that invests in start-up companies with a potential. The condition for investing in such companies is often that the business work close with management in their daily operation without interfering or in anyway gives directions to anybody in the company. He serves more like a mentor for management that can draw on his experience and his advice in a constructive dialogue. Often he also serves as member of the board. This is often a requirement for a business angel to invest in the company. He cant accept not to witness all major company decision and can have his saying if he does not agree with a decision. The last of the key participants is the board of directors. They participate as external member independent of the daily operation. The benefit being that they have a more neutral and less emotional view of where the company is going. Initially they ensure that the appropriate goals and strategies are established and documented. If there are any major deviations from the established goals and strategies they get involved, where they can accept the deviation or ensure that goals and strategies are modified the solution that is best for the company. Finally they monitor that the appropriate corporate governance is implemented and followed. 3.2 The entrepreneur The entrepreneur can have many different backgrounds. One is common characteristic for any entrepreneur is their obsession with their idea/concept, which they believe will change the world. Some entrepreneurs have experience both experience in developing products/services and a good market understanding. There are many of such entrepreneurs, but they clearly the type with the greatest chance of success. As earlier mentioned have the broad span of capabilities and must therefore be complemented with individuals, which can fill the gap. Entrepreneurs are driven by different. Some had always the idea, some got the idea during education, and others got it from experiencing issues in their daily life or at work. The object of interest can bee a market need, interesting technology, interesting process required to develop a product/service or customer support. The list is indefinitely

3.2 The manager

The manager is typically an individual with a broad background and experience in business execution. Many managers in large corporations have a dream of becoming top manager in a start-up company. One motivation is often the benefit of a stock program and/or option program, those start-up companies uses to attract professional employees and to create loyalty. The other is the wish to get rid of all the red tape and company politics, which often exists in larger companies. It is not very often that such a manager is successful in the small start-up company. The position he came from, he had plenty of support functions. This is just the reverse in the start-up company, where himself leaves the manager to do most practical things. It comes down to the individual managers ability to adjust and be prepared for new challenges or is incapable.

Another group of managers are those that either has been in start-up companies before or manager from midsize companies. Both types are more likely to be “compatible” with the requirements of the start-up company.

The background of the manager can be from general management, sales & marketing, development/engineering. He is used to be close to the customer and understands the importance hereof. He organizes the business in a relatively flat organization. He is listening to his people and resolves issues occurring during execution incl. Conflicts of interest, which typically exists in small start-up companies. He does not look at problems/issues as something unpleasant, he sees it as a tool constantly to optimize resources

3.3 The marketer

The marketer is a business driven individual. He is driven and motivated by identifying issues/problems in the marketplace. He defines products/services for addressing and solving the before mentioned problem/issue. He assesses the market size, segments it and investigates which segment of the market to address and how to execute it. He manages the product with all sales & marketing materials and training. He orchestrates the product launch campaign from commercial communication and public relation. Before the actual launch he participates in the early beta tests with selected customers, that are representative for the market, that the product/service is addressing in order to evaluate functionality and performance in the finished product/service in order to adjust it before it is released in general to the market. He makes complete product business plans including Profit & Loss forecasts, cash flow and Balance sheet forecast. As part of the business he prepares forecast for production and logistics, which will be setup to meet the volume requirements. He operates in many ways as a CEO in the sense that he addresses all issues related to the business generated by the new product/service. This also underlines the importance of his skills and ability to ensure all issues related development; production, selling & distribution of the product/service are solved. He needs to possess all the elements described in section 3.1 in term of personal characteristics & social skills, professional skills and experience.

3.4 The engineer

The engineer implements the product defined in the product business plan. He has the latest know how and knowledge about technology to select the right one to be applied in the product/service. He organizes his project into phases: requirements, design, implementation, testing and integration. Each phase culminates in a milestone at which the product status is being reviewed and validated. He selects the best development tools for developing the product/service. The engineer also designs and develops test systems necessary to test the product during the test, integration and production phases. The engineer tests his products according to the required environmental conditions, which ensure that the product will operate under such conditions. The engineer is a skilled professional used to work with whatever technical problem/issue that occurs and solving them and delivering products with the required quality.

3.5 The business angel

Sometimes business angels are involved. They are typically characterized by being savvy business people that invests in start-up companies with a potential. Often he has started his own company or being part of doing it with other partners. He has typically experience from most part of the business and understands all the interactions required to execute successfully. The condition for investing in such companies is often that the business work close with management in their daily operation without interfering or in anyway gives directions to anybody in the company. He serves more like a mentor for management that can draw on his experience and his advice in a constructive dialogue. He only get involved in 3-5 companies at a time since, that will take up most of his time and only invests in companies that he has resources (time) to follow in a serious and professional way. Often he also serves as member of the board. This is often a requirement for a business angel to invest in the company. He cant accept not to witness all major company decision and can have his saying if he does not agree with a decision.

3.6 The board of directors

The last of the key participants is the board of directors. They participate as external member independent of the daily operation. This is the case of companies in Scandinavia, whereas many other countries there can be a mix of internal and external board members. The benefit being external is that they have a more neutral and less emotional view of where the company is going.

The requirements to board of directors are very different from company to company and dependant of which part of its life cycle the company is in. Typically in the initial company days the company is better served with a team of business specialist knowledgeable of development, production sales and marketing. Later in its life cycle other types are needed to complement the competence of the board, which are lawyers and financial experts. Initially they ensure that the appropriate goals and strategies are established and documented. If there are any major deviations from the established goals and strategies they get involved, where they can accept the deviation or ensure that goals and strategies are modified the solution that is best for the company. Finally they monitor that the appropriate corporate governance is implemented and followed. Board of directors are the ultimate decision makers in all-major decision regarding the company. This requires professional skilled and experienced individuals that have a well developed emotional intelligence as well as moral intelligence.

3.7 Conclusion

As we have discussed in chapter 3, the human factor is pivotal to developing successful companies. This involves all levels in the company as well as external partners and it plays an important role from the formation of the company throughout its lifecycle.

4. Investment analysis

4.1 The human factors in different company types

This chapter describes the requirements that apply to the various team members in the various types of companies. Since the four companies have different end goals the requirements to key participants are different and thereby which human factors, that are important.

The discussion will start with the product and growth oriented companies since they have the most interest from a business point of view. The life style and the charity-oriented companies are discusses last. They are companies in their own right with their own set of values. They are discussed because it shows that it is not always money that is the driving force behind starting up a company and running it to accomplish the goals and dreams of the entrepreneur.

4.2 The product oriented company

The product-oriented company is characterized by a high degree of technology focus and skills among its founders and employees. The core of the company is in its technology or in terms of its patents and its employees.

The above are the key parameters, when the product oriented company is going to be sold for the reason of getting the technology and/or products out into the global market place and the founders and its employees are going to harvest the value of their efforts in developing world class technology/products.

In order to grow and develop such a product-oriented company with world-class technology and/or products, three types of skills/experience are required:

- The technical entrepreneur
- The professional engineers
- The commercial expert (the manager or marketer)

One is of course the innovative individual that creates new ideas and concepts, described as the technical entrepreneur.

The second is the professional engineers that ensure that a product is being developed according to the best practices of engineering, including development tools, processes, and quality assurance and in compliance with formal and de facto industry standards. This is very important since large global companies applies rigorous methodologies, when they develop products and they expect the same from smaller companies that they acquire to cover holes in their own product portfolio. In order to obtain the right value for the product oriented company the engineering "machinery" must be in place and in good order.

The third type required is the commercial expert. This can be in the form of the manager or the marketer described in chapter 3. They are the ones that establish the commercial value of the company. They estimate the market size for the technology/product, position the product/technology in the market place and establish the pricing of the product/technology to the customers. They define the timing in the market and assess how much quicker a larger company can get to the market place compared with developing it on its own, in order to establish a realistic and fair price for the company.

In addition to the above-mentioned three individuals a product-oriented company will benefit from joining with a business angel that typically have been through similar processes before and have experience with all the elements such processes include.

The same can be said about board members that can assist the product-oriented company in legal matters as well as the commercial processes based on professional skills and/or experience.

4.3 The sustainable growth oriented company

The sustainable growth-oriented company is the type of company that puts the toughest requirements on all the participants. They all have to perform to their utmost and possess skills and experience in their particular set of expertise.

The technical entrepreneur must generate an idea/concept, which addresses a significant problem in the market place and where a product can develop that addresses the problem. It must be large enough that it takes up to several years before all of the market is filled with such a product. The technical entrepreneur is not needed just for the initial product. He needs on a continuous basis to develop new ideas/concepts in order to develop new products for further growth of the company

The professional engineers is represents the professionals, that develop a product plus all the surrounding tools, equipment, documentation etc. that are necessary to produce, test and integrate a product before the product is shipped to the customer.

The marketer is very important in a growth-oriented company. Without a marketer growth oriented will have difficulties in taking off. The marketer is a business driven individual. He assesses the market size, segments it and investigates which segment of the market to address and how to execute it. He manages the product with all sales and marketing materials and training. He orchestrates the product launch campaign from commercial communication and public relation.

The manager is equally important and again without the manager, the growth-oriented company will have difficult in taking off. The manager orchestrates all internal activities and ensures that they are well coordinated. Equally, he interacts with the external relations to the company and ensures that all external and internal commitments are being clearly defined and delivered. He ensures that organizational structures are created; procedures, standards and tools to support these are implemented. He ensures that milestones are defined and that these milestones are being met of the various parts of the organization. He will hire a chief financial officer to establish proper accounting, profit & loss, balance sheets and cash flows in order to manage the financial resources of the company.

Further to the described professional categories there is a need for excellent sales people knowledgeable of distribution channels and customer account management. The quality of his sales forecast is important to production in order for them to supply products timely to the customers.

Professional production people are also a key to success. Their tasks include establishing a reliable quality production line with the minimum cost involved. Optimising the cost of products is the lifeline to a healthy economy of the company. Negotiation with external suppliers and obtaining good pricing is a very important job that has to be carried out on a continuous basis.

The right type of board of directors is also important to the company. The board of directors is the ultimate decision makers in all-major decisions regarding the company. This requires professionally skilled and experienced individuals, that ensures that management executes as required and coach them in difficult decision making. This is not the least in relation to the external requirements that is put on a growth company, such as strategic planning, accounting principles and corporate governance etc

4.4 The "lifestyle" oriented company

The "lifestyle" oriented company is characterized by having a founder that typically is a technical entrepreneur. He enjoys his technology and the improvement of it. He typically hires engineers to help him implement the product he has conceived.

He needs customers for his company to survive. But he is not interested in scaling his business to large volume. He will often create customer specific solutions modifying his products to meet some specific requirements of the customer.

If he meets a manager or marketer that convinces him of scaling up the business the above-mentioned customer specific business model will make it difficult to create a larger volume business. Only if customers are being convinced that the standard features of the product meets his requirements creation of a volume business would be possible.

It can be a difficult period of transition, where the discipline of selling standard solution is being introduced. The objective is not to provide a rigid solution, it is to provide a set of features and functionalities that meet most of the customer requirements, where as more specialized feature/ functions are eliminated.

If the "lifestyle" entrepreneur does not want to scale, he will not receive any funding

4.5 The charity oriented company

The charity-oriented company can be founded on different back ground/motives.

One is an entrepreneur that has a strong believe in a cause and wants funding to distribute it to a greater audience.

The other are rich individuals, who have made some money through starting up companies and now have reach a stage where they wish to return some of that money to various causes.

This can amongst other possibilities be by establishing a company that undertakes to implement various projects to serve their cause. It could for example be to support poor children in getting a good education, a food program for poor children in poor countries or a medical project for poor people in poor countries.

In principle such companies are run like any other company, but priorities might be different. Instead of optimizing the profit, the primary target can be to help as many as possible keeping revenue and cost in balance. The attitude of the people in such company probably all have a focus on humanitarian task and compassion for people in deep need.

5. Human factors during the lifecycle of startups companies

5.1 Investment Analysis

The fundamentals in my investment analysis consist of three parts:

- Basic Business Plan
- Market Value
    - Commercial Value
    - Technical Uniqueness
    - Timing
- Human Factors

The list of investment considerations are mentioned and described in this chapter. This because it has served me well in my investments in start-up companies, but also because it clearly demonstrates the importance of the human factors. If the right blend of human factors are not contained in a proposed investment project one should not invest, even if all the other criteria are met.

The additional reason for addressing other parameters than the human factor is to enlighten entrepreneurs in the decision process of an investor. This is not an emotional exercise, but an unemotional, intellectual and moral process, which culminates in a go or no go for an investment.

5.2 Basic Business Plan

Without a detailed discussion of the business plan template is presented:

1. Executive Summary
2. Organizational Backgrounds
   a) Mission Statement
   b) Current Status
   c) History
   d) Management Team
3. Marketing Plan
   a) Product Portfolio
   b) Market Size and Structure
   c) Competitive analysis: Existing Markets
   d) Competitive analysis: New Markets
   e) Pricing
   f) Demand Management
   g) Distribution
   h) Promotions and Brand Development
4. Operational Plan
   a) Current Product/project status
   b) Research and development plan
   c) Manufacturing/Deployment plan
   d) Information and Communications Technology Plan
   e) Staffing Plan
   f) Business Process Outsourcing Plan
   g) Asset Development Plan
5. Financial Plan
   a) Current Financing
   b) Funding Needs
   c) Funding Plan
   d) Financial History
   e) Financial Forecasts
   f) Valuation
6. Risk analysis
   a) Risk Evaluation
   b) Risk Management Plan

5.3 The commercial value

The Commercial Value is measured by the size of the market, that the product(s)/service(s) serve and is characterized by

- Breath of Market
- Depth of Market
- Amount of cost incurred to develop, produce and distribute the Product/Service

- Market share in the market that the product/service serves.

The other part of the commercial value is the solution efficiency characterized by: - The cost efficiency of the solution

- How much value is added
- How easy it is to use/apply
- How easy the benefits and use of it can be communicated

The commercial value is calculated on a scale 0 to a 100%.

5.4 The technology uniqueness

The technology uniqueness is measured as follows:

- Uniqueness compared to alternative technologies
- Patentability
- The number of man years required to develop and produce the product/service
- The level of skills required to this

The technology uniqueness is calculated on a scale 0 to a 100%.

5.5 Timing

Coming to the market early or late can both be fatal. The first because a lot of money are wasted before the market really takes off and the second because you don't get the whole value of that market you are addressing and it is always more difficult to penetrate a market, when it already is owned by one or more strong competitors. The timing is expressed the remaining size of the market divided by total market size for its complete life cycle.

5.6 The product market value

The combination of the commercial value, the technology uniqueness and timing makes up the product market value. It is simply calculated by multiplying the three.

5.7 The human factors

Valuating the participants/team is done in a number of ways:

- Individual valuation
- Team valuation
- Experience valuation

5.7.1 Individual valuation

The individual valuation is along the parameters already mentioned:

- Human Factors (emotional/moral)
- Clarity of the overall task and the individual tasks to be performed

All key participants have to be evaluated on their individual human capabilities. Importance of high marks for human factor are in particular important, when it comes to founders, major investors and top management. If any of the above key participants have limitations and/or flaws in their human.

The sum of individual valuations result is expressed as a number from 0 to a 100%.

5.7.2 Teamwork valuation

In order to get a feeling for how the team members interact with each other you bring them together and see how they behave. A more structured approach is to ask each of the above the team members about their strengths and weaknesses including what they think of the other team members and how they interact as a team. Hereby one gets an expression of mutual respect and assessment.

If there are too many inconsistencies, these need to be addressed in order to see if they can be solved.

The teamwork valuation result is expressed as a percentage from 0 to a 100%.

5.7.3 Experience valuation

This valuation is fairly easy. You check the CV's of the team members and verify their successes and perhaps even failures. A failure is not necessarily disqualifying as long as they show how they dealt with it and learned from it to correct it in the future.

The most effective way to guide someone along the right direction is to ask the questions the individual for him/she to realize what is right way to do things, choosing the right decision and make the right analysis themselves.

The experience valuation result is expressed in a percentage from 0 to a 100%.

5.7.4 The human asset value

The human asset value is measured by taking the simple average of the three: The product market value, the human value index and the team/individual experience.

5.8 The investor decision

The investor decision is made based on two the factors defined and described in the previous sections 5.5-5.6, the product market value and the human asset value.

If the product market value is less than 40% one does not invest and if it is larger than 60% it is a candidate for investment. In the range 40-60% it may be a candidate for investment.

The same principle is applied to the human asset value. If the product market value is less than 40% one does not invest and if it is larger than 60%

it is a candidate for investment. In the range 40-60% it may be a candidate for investment.

This overall can give you an overall idea of the quality of the investment.

Of course you should never just use this number as the only guideline, but it helps you to balance pros and cons. Maybe you have a certain preferences and good experiences for certain parameters and then you take it from there. I have at least found it useful and have had a relative high level of successes close to the 50% in my investments.

It took me some years to reach this model, but somehow a lot of then parameters I had somehow in the back of my mind. I hope that this section will help the reader in making a more conscious decision on their future investments.

6. Selecting the team (Core team and build-up)

6.1 Selection of the core team members and the incremental build-up

6.2 The founders and complementing them

Founders of start-up companies can have a number of different backgrounds: firstly he can have a broad experience in his field or he can have less and secondly he can have his focus on engineering/research & development, marketing or management of start-up companies. All of the above are described further below.

Most entrepreneurs try to start-up several times. They live for their idea/concept. It is rare that they have success the first time, but they learns through the mistakes such that the second or the third time they are more successful. The experience does not necessary have to be obtained through starting their own, they can either participate in a start/up as team member or work in established companies, where they gain experience.

The largest group of entrepreneurs have their focus on engineering/research & development. They are typically skilled specialist in their field. Their ideas can originate from different backgrounds listed below:

- Fascination of technology in itself, improving it or creating new technology

o Core technology

o Applications

- Recognition of a technology problem

o Not implemented before

o Too expensive to implement

o Easier to implement

o Faster to implement

- Recognising a problem in the market place

o Customer problem

o Problems in existing solutions (distribution, installation and/or maintenance) o Customer solution too expensive

Above list is not complete, but provides an insight in what factors that can motivate an entrepreneur to start-up a company.

With regards to entrepreneurs motivated by one or more from the above two first groups, they clearly need to find a market oriented person, who can validate the business opportunity or adjust the focus become a viable business opportunity. If he does not find such complementary partner his chance for a business success is very little.

The type of entrepreneur, that belongs to the third group have a much bigger chance of making a success than the first-mentioned type, but will clearly benefit from a market oriented person.

Finally both of the above-mentioned categories of entrepreneur will need management skills added. It depends on the level of skills they have regarding management; they will need to add a skilled management individual.

Regarding the characteristics of manager that is hired for a start-up, there are some very important elements to consider. He needs to possess the entrepreneurial spirit. Needs to be knowledgeable with all of the business and understanding the technology. He should be used to work without much staff support in the initial phase performing a lot of the practical work himself. I have seen to many instances, where managers from large corporations with a dream of managing a start-up have failed totally. Therefore it is my experience that a young management oriented person is to prefer.

6.3 Selection of key participants

One might ask who is selecting the team. There are two that in particular are the ones that select and they are the entrepreneur and the manager. There will in section 6.x be list of criteria that these two individual will ask. The entrepreneur is normally the first that select team members. He needs to complement his own skills and experience. The persons he is looking for are the manager, the marketer and engineer. Once the manager is onboard he will normally take over the selection of further team members.

It is a must that the two, the entrepreneur and the manager gets along smoothly, respecting each other and acknowledging each others strengths and weaknesses.

The marketer is the first individual that the manager is looking for since he is the person that validates the problem/issue, the idea/concept and specifies the products/services that solves the problems/issues. Through the business plan he validates the rationale for developing the product/service.

Secondly the manager will get a financial person onboard to ensure the soundness of the business including liquidity and profit & loss. If additional financing is required he will work with financing sources to obtain the necessary financing.

6.4 Growing the team incrementally

How fast the team will grow depends on multiple factors and they are:
- Size of financing
- Size of market
- Speed of market growth
- Timing of market
- Ambitions
- Capabilities
- Capacity
- Technological bottlenecks

The size of financing puts a natural limit on how quickly the team can grow if this a wanted option

6.5 The global team

In "classical" companies the team members have typically been gathered in one geographically location. This is as of today neither necessary nor optimal.

The reason is that the Internet and the Web 2.0 are providing the infrastructure through which a team can collaborate just as effectively as it could in the "classical" company placed in one geographical location.

If you can find innovators/entrepreneurs elsewhere in the world, they can be part of the core team. By using the Web 2.0, video conferencing they can work with the rest of the team.

In the same way you can have research & development, production, sales & marketing distributed to where the talents and capabilities exists.

By producing a common business plan you can execute effectively and timely just as in the "classical" company. Perhaps even better than the "classical" company since you have tools that can show objectives, tasks and results for all parts of the organisation and thereby provide the basis for managing the business.

The manager can sit at his desk (PC) and be connected through videoconferences to the various team members individually or as a group and have all the plans, activities and results updated to the last minute.

His foundation for managing the business is unparalleled to anything, that has existed in the past.

Furthermore he is able to find and collect information about potential customers and can start to contact them even before the product/service is available in its final form.

He can even get useful input to required features ensuring the product/service is meeting the market requirements.

He does not have to have a production he can outsource it. Equally he does not have inventories. If he get proper forecasts from his customers he can produce just in time and have products shipped directly to his customers.

Customer support can equally be handled through the Web 2.0. Extensive support programs can be provided the customer for installing and maintaining the product/service. If this is not enough direct

6.6 Conclusion

This chapter has aimed at showing the importance of the team around the entrepreneur and founder. Without a reasonable complete team a company will not develop to become successful.

7. Management

7.1 Management (human skills of management)

Management covers the team of managers that most start-up companies have. These are the CEO/president, vice president of sales & marketing, vice president of research & development, vice president of operations and chief financial officer. Each of them has to have the human capabilities as mentioned in chapter.

They need to have both a complete emotional and moral intelligence. They are in control of their emotions. It is important they are precise and neutral about issues and problems and not fall into the trap of emotional action. They have to be self-motivating. In the following the more specifics of each of the management team are detailed.

“Businesses are made by people. We’ve proven time and time again that you can have wonderful shop, and put a bloke in there who’s no good, and he’ll stuff it up. Put a good bloke in, and it just turns around like that.”

Gerry Harvey

“If you can run the company a bit more collaboratively, you get a better result, because you have more bandwidth and checking and balancing going on.”

Larry Page

“Our mission statement about treating people with respect and dignity is not just words but a creed we live by every day. You can’t expect your employees to exceed the expectations of your customers if you don’t exceed the employees’ expectations of management.”

Howard Schultz

7.2 CEO/President

The CEO/President is the captain of the ship. The CEO works closely with his officers typically on a coaching/peer to peer basis. He acts more or less in the way a conductor conducts his orchestra. In any company and not the least in startup companies, there are crossing priorities and preferences.

In these situations the CEO has to step into the manager role, that after facts have been put on the table, takes a decision and directs his team in the direction he believe is the optimal for the company's success. This is the time for the "general to act".

In addition to his internal tasks he has a number of external tasks. He has investors, board of director, legal council, auditors, major customers, major suppliers major business partners etc. This requires skills of a generalist, but also understanding of the human parameters in order to obtain balanced win-win situations are necessary.

To summarize the CEO is the ultimate decision maker. His is the overall coordinator. If he selects the right team his job is relatively easy. If he fails to do so he will have a tough time.

Quotes on MANAGEMENT

"Surround yourself with the best people you can find, delegate authority, and don't interfere as long as the policy you've decided upon is being carried out."

Ronald Reagan

"Hire people who are better than you are, then leave them to get on with it ...; Look for people who will aim for the remarkable, who will not settle for the routine."

David Ogilvy

"Management is, above all, a practice where art, science, and craft meet."

Henry Mintzberg

7.3 VP of sales & marketing

The VP of sales & marketing (VP m & s) has a key role in the sense that he sense and monitors what issues that exists in the marketplace. By sensing is meant an ability to understand customers businesses and the problems that exist in those businesses.

He and his team create a market plan on these issues and propose a product to solve the problem. He does not have to be extremely technical other than having a general technology understanding and ability to convert that into product vision. It is then up to research & development to find a way to implement it.

During development of the product his team prepares a launch plan, marketing plan and prepares the sales force for selling the product to those customers having the problem. Further to this he and his team creates a support plan for how to support the product.

The VP m & s also need to have an understanding of the cultural differences there exists in the different market places. Some places are very competitive. They are probably the easiest to sell into if you have your message clear of how to get a good return on investment. In such markets distribution channels are normally well structured and efficient.

In contradiction to the above competitive markets are those more closed. The background for this can be different. It can be political, religious or just pure local protectionism. Not all these markets have come to terms with the advantages of competitiveness. They are even lacking the infrastructure. But as markets develop these barriers disappears.

Both in competitive markets and less competitive markets it is important for the VP m & s to adhere to the principles of emotional and moral intelligence. In the competitive markets it is important to be straight with the competition. In the less competitive markets it is important to resist giving particular good conditions to customers that does not "deserve it", but uses their negotiating position to get favorable conditions beyond the size of the business they provide.

The VP m & s will also be met with a lot of business deals from his sales people, where it is necessary to verify the seriousness and scope before giving terms. Sales people are aggressive and hungry to get sales and it is important the VP m & s balance things to fair and realistic proposals. Only in doing so is it possible to maintain integrity and respect, which are key to long-term business relationships.

It is important that the VP m & s maintains a close relation to research & development during the product development to ensure that the intensions of the product specified are being met to satisfy his customers. Also certain product data and information have to be supplied to sales & marketing in order for them to prepare marketing and sales documentation.

The VP m & s and his team also have a responsibility to provide forecasts to production in order for production to manufacture product volumes that responds to market demands. Since there always are fluctuations in customer demands and in production capacity it is important that there is an ongoing respectful dialogue between the VP m & s and the VP production to ensure optimal and balanced flow of products from the factory to the customer.

Since the financial performance of the company is very much dependant on the performance of the sales and marketing activities, it is important for the VP m & s to keep a close dialogue with the VP of finance.

The VP m & s get his objectives from the CEO and reports to the CEO. In addition to the "routine" communication related to objectives and reporting, the VP m & s can use the CEO as a sparing partner in finds solutions to problems such as internal constrains or external issues.

7.4 VP of research & development/engineering

The VP of research & development/engineering (VP r & d) and his team are responsible for the actual product implementation. They organize their project into phases: requirements, design, implementation, testing and integration. Each phase culminates in a milestone at which the product status is being reviewed and validated. Furthermore, he selects the best development tools for developing the product/service.

The VP R&D can use a number of external subcontractors to supply elements to the products he is responsible for being developed. This can include licensing of software, outsourcing of development of hardware and/or software. He can also choose to outsource testing of products being developed. Often he is required to let external contractors perform certification of the product to meet industry or public standards required. Some of the before mentioned subcontracting does not have to be in the same country as the company's development is being performed.

All of this puts some human requirements on the VP R&D. He needs in general to be sensitive to subcontractor environments and have the necessary understanding and respect for different cultures that exist with foreign subcontractors.

At the internal front it is important for the VP R&D that he understands and agrees with the product requirements he gets from marketing and sales. Any issues that he realizes he communicates and coordinates wit the VP m & s. He has also an interface to production, since he and his team develop and produce test software and/or equipment to the production. In order to ensure as smooth the VP R&D communicates and coordinates any issue in order to avoid any production problems and minimizing those that occur.

The VP r & d and his team are responsible for development budgets and the VP r & d have a regular dialogue with the VP finance to ensure budgets are met and if sliding to optimize the situation.

The VP R&D gets his objectives from the CEO and reports to the CEO. In addition to the "routine" communication related to objectives and reporting, the VP r & d can use the CEO as a sparing partner in finds solutions to problems such as internal constrains or external issues.

7.5 VP of operation (production & logistic)

The VP of operation (VP o) and his team produce the product developed. They have to provide a production setup, which responds to the volume requirements and delivery times required by the customers and with the flexibility to absorb fluctuations in demands of the products. Further to this it have to be within the quality parameters specified.

During product development the VP o and his team receives input from the VP R&D and his team regarding technical specifications and requirements to tooling and test equipment. All of which are important to a smooth production process. The transition of the product from research & development to operations and requires a quality dialogue between the two functions

The VP o has external interface to component suppliers, manufacturers and other subcontractors needed for the operations.

Many of these can be overseas and the VP o therefore also needs to have a general insight and understanding of different cultures and how they operate not the least, when emerging countries are used as the place for subcontracting.

As regards to the internal relations, these are mainly research & development, sales & marketing and finance. It is important that the product is transitioned smoothly from development to production.

During product development the VP o and his team receives input from the VP R&D and his team regarding technical specifications and requirements to tooling and test equipment. All of which are important to a smooth production process. The transition of the product from research & development to operations and requires a quality dialogue between the two functions.

Equally important is the dialogue and respect between VP o and the VP m & s regarding forecast and the expected variations in products deliveries that are to be expected.

Finally, the VP o has to supply the VP f with data sufficient for him to prepare budgets and cash requirements. A close dialogue and mutual respect again are important factors.

7.6 CFO

The CFO is interfacing to all the other members of management described above. He requests input in order to create budgets on profit & loss, balance sheet and cash flow. He needs to understand the structure of the business in order to structure his financial data to reflect the business operations.

He keeps track of all the actual data. He and his team processes them and produces financial reports to assist the other management members in running their part of the business according the budgets set forth and agreed upon.

The CFO also have important external relations: Banks, auditors, investors and finance department of the major suppliers and customers.

As for all of the other management team members he needs to possess the necessary human skills to execute his job efficiently.

7.7 Infrastructure & tools supporting management

Close coordination between functions is key to success. To minimize manual coordination and focus on the major issue it is important have the right infrastructure and tools to execute each functional area in the company. Thereby management can focus on the key issues rather than being court up in trivial issues.

An infrastructure does not solve problems, but ensures that data and information is distributed within the organization such that the managers and theirs team can act upon them and make informed decisions.

8. Board of Directors

8.1 Board of Directors (BoD)

Directors are traditionally divided into executive directors and non-executive directors. Broadly, executive directors tend to be persons who are dedicated full-time to their role in relation to the management of the company. Non-executive directors tend to be "outsiders" brought in for their expertise, and to lend a more impartial view in relation to strategic decisions.

The subject of emotional and moral intelligence is in focus, when discussing directorship of companies.

Many corporate reforms in the late 1990s and early 2000s were focused on increasing the number and role of non-executive directorships in public companies in the belief that an impartial view was more likely to restrain corporate excess and egos and reduce the likelihood of another major corporate scandal. In practice, executive directors tend to dominate board meetings simply by virtue of their much greater familiarity with the company and its internal workings.

Major Duties of Board of Directors are:

1. Provide continuity for the organization by setting up a corporation or legal existence, and to represent the organization's point of view through interpretation of its products and services, and advocacy for them

2. Select and appoint a chief executive to whom responsibility for the administration of the organization is delegated, including:

- to review and evaluate his/her performance regularly on the basis of a specific job description, including executive relations with the board, leadership in the organization, in program planning and implementation, and in management of the organization and its personnel

- to offer administrative guidance and determine whether to retain or dismiss the executive

3. Govern the organization by broad policies and objectives, formulated and agreed upon by the chief executive and employees, including to assign priorities and ensure the organization's capacity to carry out programs by continually reviewing its work

4. Acquire sufficient resources for the organization's operations and to finance the products and services adequately

5. Account to the public for the products and services of the organization and expenditures of its funds, including:

- to provide for fiscal accountability, approve the budget, and formulate policies related to contracts from public or private resources

- to accept responsibility for all conditions and policies attached to new, innovative, or experimental programs.

Major Responsibilities of Board of Directors are:

1. Determine the Organization's Mission and Purpose
2. Select the Executive
3. Support the Executive and Review His or Her Performance
4. Ensure Effective Organizational Planning
5. Ensure Adequate Resources
6. Manage Resources Effectively
7. Determine and Monitor the Organization's Programs and Services
8. Enhance the Organization's Public Image
9. Serve as a Court of Appeal

10. Assess Its Own Performance

For more information about each of these responsibilities in nonprofits, see

8.2 Purpose & responsibilities of BoD

Talking about purpose & responsibilities in this book, it has the following interpretation:

Purpose is the referring the skills and experience that a board member brings to the BoD meetings. Such experience can be very valuable to the company, to avoid mistakes, to solve problem or to support in finding the direction. A list of areas that the BoD must adhere to in their conduct are listed below:

o The like consequences of any decision in the long term

o The interests of the company's employees

o The need to foster the company's business relationships with suppliers, customers and others

o The impact of the company's operations on the community and the environment

o The desirability of the company maintaining a reputation for high standards of business conduct, and

o The need to act fairly as between members of a company

Responsibilities is covering all the formal and legal responsibilities, that are defined by the rules & procedures laid down in the corporate governance.

A little more detailed of Corporate governance is the set of processes, customs, policies, laws and institutions affecting the way in which a corporation is directed, administered or controlled. Corporate governance also includes the relationships among the many players involved (the stakeholders) and the goals for which the corporation is governed. The principal players are the shareholders, management and the board of directors. Other stakeholders include employees, suppliers, customers, banks and other lenders, regulators, the environment and the community at large.

Corporate governance is a multi-faceted subject. An important theme of corporate governance deals with issues of accountability and fiduciary duty, essentially advocating the implementation of guidelines and mechanisms to ensure good behaviour and protect shareholders. Another key focus is the economic efficiency view, through which the corporate governance system should aim to optimize economic results, with a strong emphasis on shareholders welfare. There are yet other aspects to the corporate governance subject, such as the stakeholder view, which calls for more attention and accountability to players other than the shareholders (e.g.: the employees or the environment).

8.3 BoD in different phases and company types

Tasks and requirements to BoD change over time. Equally the task and requirements are different in the product-oriented company and the growth-oriented company.

The ideal BoD profile in a product-oriented company is one that provides management with experience from the field technically as well as with respect to the human factor and how it interplays with the developments in the company in addition to the standard responsibilities the BoD have in a company.

A product-oriented company typically needs guidance regarding its business when products need to be defined. After having developed a technology to be used in the products management often do not posses the marketing experience necessary to define and position the product, nor to segment the market. Also the timing of the market can be difficult to handle.

Therefore some board members in the BoD need to have a good experience from the sales & marketing field regarding OEM and large account sales. Other skills such as production, purchasing can be needed at some point in time. But the most important is the business experience, where the company is being positioned for acquisition of a larger company.

Regarding a growth-oriented company and BoD many of the above can to some extend be the same in the initial phase of the company's life cycle. A little later in the life cycle it is useful if some BoD's have sales & marketing skills from general large scale distribution and production.

Further to the above the board and not the least experience from an IPO process as well as "life" require a strong emphasis on corporate governance after an IPO. Therefore lawyers and individuals with a financial background are added to the BoD, if it does not already have such members.

8.4 Directorship issues

Below are listed a number of areas, that have been problem areas for the board of directors in many companies. Under these headlines this section I will discuss specific cases from the companies that I have been involved in. It will be done without mentioning names of neither companies nor persons.

While the primary responsibility of boards is to ensure that the corporation's management is performing its job correctly, actually achieving this in practice can be difficult. In a number of "corporate scandals" of the 1990s, one notable feature revealed in subsequent investigations is that boards were not aware of the activities of the managers that they hired, and the true financial state of the corporation. A number of factors may be involved in this tendency:

o Most boards largely rely on management to report information to them, thus allowing management to place the desired 'spin' on information, or even conceal or lie about the true state of a company.

Referring to my experience and the background for this can be different issues. One is the board of directors (perhaps share holders or option in the company) prefer to listen to good news. This behaviour is the same as with amateur investor in general public shares, where all the good news blinds investors who ignore or overhear the bad signals coming out of the company. If the board does not ask the nasty questions and just listens to the good news, management in the company get used to be silent on bad news avoiding them in their reporting. Other reasons can be lack of background or knowledge to ask the questions, but are as bad as the previous case.

o Boards of directors are part-time bodies, whose members meet only occasionally and may not know each other particularly well. This unfamiliarity can make it difficult for board members to question management.

My experience is that it is fine if board members are not just old pals, but independent individuals that operate with and on their own professionalism. By doing so unspoken and implicit understandings are avoided. If every issue is being treated openly and with clear communication between board members and management this prevents issues in slipping away from the board meetings and not being treated, as it should.

As a board member it is not inappropriate to ask questions, if issues are not understood or being handled a lapidary way. Every mature and responsible board member is obliged to ask these questions in order to perform their responsibilities and job as a board member.

o CEOs tend to be rather forceful personalities. In some cases, CEOs are accused of exercising too much influence over the company's board.

Many of the managers I have met have been forceful personalities. This is to a certain extend good, but if they have hidden motives, it is very bad. Again the cure is ask the tough questions not giving in even if it it means departure from the board. Nobody should remain on the board if they can't get the right information or answers on questions asked. The responsibility for that only remains with the board members, if they want to present themselves as true board members.

o Directors may not have the time or the skills required to understand the details of corporate business, allowing management to obscure problems.

Board members sometimes claim they do not have the time or the resources to go into details. If that is the case one should not accept the directorship. This is serving the company and its investors in a bad way. There is only one solution and that is to resign. In reality this is difficult to accept for many board members, but the only solution if one wants to retain ones integrity.

o The same directors who appointed the present CEO oversee his or her performance. This makes it difficult for some directors to dispassionately evaluate the CEO's performance.

There is a golden rule in business dealings; one should never recruit family, friends, professionals or employees that one has had a close relation to in previous companies. If they are qualified, one should always involve other board members or management colleagues to screen the individuals in question and let them decide on a possible recruitment.

I have unfortunately seen the opposite in many instances in the companies that I have been involved in and in most cases with bad results. The problem is that many board members feel more comfortable with the known than unknown. That is a weakness they have to overcome to become effective in their job.

o Directors often feel that a judgement of a manager, particularly one who has performed well in the past, should be respected. This can be quite legitimate, but poses problems if the manager's judgement is indeed flawed.

A sound rule in business it is always how you perform in the present that counts. To make an analogy, think of an actor, musician that performs way below his standard and tickets have been really expensive. Would his past performance excuse him, not really? The same way shall a businessperson be judged only on his latest performance? People have respect for somebody that has performed well as they should, but they should never forgive a bad performance. Being professional means: You are on all the time at your best.

o All of the above may contribute to a culture of "not rocking the boat" at board meetings.

Many people are uncomfortable with disagreements. This wrong. The way to obtain the best results is though a constructive dialogue. It is not about winning an argument for the purpose of the argument, nor for being right. What counts is what is best for the company. With different angles to a subject/issue chances are, that it more thoroughly analysed than by one individual. Board members should therefore avoid putting too much ego into discussions and enjoy the process of reach a common solution that is optimal from many points of view rather that one.

9. Harvesting the value

Once a company is up and running with black numbers every month, an increasing growth rate and a significant market share in one or more markets, then it is time to look into strategic directions for the future. Conquering new markets and inventing new products and services are all necessary to survive the long distance. A continuous consolidation is happening all the time. That leaves basically two options open.

- Continuing to grow and become a dominating market player, or
- Being acquired by a larger dominant player.

At this point in time the board of directors really gets to work. They have to decide whether to get further financing for growth or find a suitable large player that will pay the right price and ensure that the

9.1 The decision analysis to continue or sell

The decision of selling the company or continuing the growth for long-term sustainability is made up of many elements like:

- Length of product cycle and identification of new product families with different product life cycles
- Competitive situation
- Management maturity & completeness

9.2 The process of selling a product-oriented company

Selling a product-oriented company requires many skills to obtain the correct value. This section aims to cover extensively the areas involved.

To obtain the correct value the following issues need to be considered:

- Product value
- Position of technology versus the competition (uniqueness of technology)
- Position in the market
- Timing in relation to product lifecycle
- Product value with and without the development team
- Loyalty of core team (commitment to continue)
- Patents and strength of these
- Size of barrier of entry
- Quality of product incl. design, maintenance and support documentation
- Value of product team
- Commitment to continue
- No motive to cash in and leave
- Willingness to be integrated in the new organization with a different culture
- Full consensus between team members to continue
- Value for the buyer
- Getting rid of a competitor (new entrant)
- Fill a hole in the product portfolio
- Get a new strategic leg to ensure future
- Known or unknown territory to the buyer
- Openness to protect the culture of the acquired company versus harmonizing it into its own culture
- Integrate products into own platform through the same rules and procedures

The above list is not exhaustive and definite and has to be adjusted on a case-by-case basis, but it illustrates the complexity of the selling process.

Each of the above bullets can have a significant impact on the value of the product-oriented company dependant on the specific situation as well as the success/failure after the acquisition expressed in the realized value by the acquirer.

Before completing this section some value models are presented that illustrates how the above parameters can impact the value paid as well as the realized value, expressed as:

Value paid = Product value (strength of product) *

Value of product team *

Value for acquirer (strategic value)
In the same way we can express the realized value of the acquirer as:
Value realized = Product value (strength of product) *
Value of product team after acquisition *
Value for acquirer after acquisition (strategic value)

A balance between the two values characterizes a good deal aiming for a win-win situation. This is typically obtained through an earn out model and/or options/bonus in the new setup after acquisition based on a successful implementation and launch of products in the market by the acquirer and the acquired product team in the new organization.

9.3 Financing the growth oriented company

At the point of a growth company's lifecycle when it has become profitable and/or won a significant market, it is time to consider further financing in order to sustain its business in the long term to become a larger player in the market segments it focuses on. There are two main categories of sources and these are obtaining a loan or increasing the share equity and selling the issued shares.

9.3.1 Financing by loans

There are different types and sources of loans a company need to consider, when it wishes to obtain a loan and they are:

- Bank loan
- Mezzanine loan
- Convertible loans

Banks are rarely interested in financing further growth either through further investment in research and development and/or marketing and development or acquisition of a smaller company.

They typically are more interested in financing a company's existing business operation. Bank loans are therefore not really an option.

A Mezzanine Loan is a relatively large loan, typically unsecured (ie., not backed by a pledging of assets) or with a deeply subordinated security structure (e.g., third lien on the property but non-recourse vis--vis the borrower). Maturities usually exceed five years with the principal payable at the end of the loan term. In a standard offer, the loan carries a detachable warrant (finance) (the option to purchase a certain number of shares of stock or bonds at a given price for a certain period of time) or a similar mechanism to allow the lender to share in the future success of the business.

Mezzanine loans are typically loan issued for a limited number of years 2-3 years after which they are paid back. These types of loans are in many ways meeting the needs of a company that wants interim financing of its growth. Once the company has success in

its growth strategy increasing it product range and gaining market share, it will earn sufficiently to pay back the loan.

The problem related to mezzanine loans are that they typically carry a relatively high interest dependant on the risk of providing the loan. The other is that they can become very expensive if the company fails or partly fail in its growth strategy and need more time to pay back. These often involve paying penalties in form of a higher interest and perhaps threaten its financial situation.

A convertible loan is effectively a fixed-interest bond that offers the opportunity to convert into ordinary shares within a set time frame. If the share price of the company rises, then the price of convertible loan stock may rise too, but if the share price falls, then it may not be worth converting the loan to shares.

9.3.2 Selling part of shares to industry partner

Many start-up companies have been offered funds by a larger industrial partner that have the financial means. By issuing additional shares in the start-up company and selling these to the larger industrial partner, it obtains the financing necessary for its growth.

These share purchases are usually offered with an explicit or implicit expectation of certain services to assist the larger company in its product strategy. Sometimes the larger company requires membership of the board. Whatever is the situation it limits the smaller start-up company's ability to operate freely on its own strategy and thereby limits its ability to grow as far as it wished.

A more negative picture exists if the larger company is purchasing shares in the smaller company to monitor the start-up company with less friendly motives. This can in its worst from limit a start-up company to grow and even destroys it. So in summary the above-mentioned type of financing can't be recommended since the risk is to high.

9.3.3 Financing by going public

Initial public offering (IPO) is the first sale of a corporation's common shares to investors on a public stock exchange. The main purpose of an IPO is to raise capital for the corporation. While IPOs are effective at raising capital, being listed on a stock exchange imposes heavy regulatory compliance and reporting requirements. The term only refers to the first public issuance of a company's shares.

When a company lists its shares on a public exchange it will almost invariably look to issue additional new shares in order to raise extra capital at the same time. The money paid by investors for the newly issued shares goes directly to the company (in contrast to a later trade of shares on the exchange, where the money passes between investors). An IPO therefore allows a company to tap a wide pool of stock market investors to provide it with large volumes of capital for future growth. The company is never required to repay the capital, but instead the new shareholders have a right to future profits distributed by the company.

The existing shareholders will see their shareholdings diluted as a proportion of the company's shares. However, they hope that the capital investment will make their shareholdings more valuable in absolute terms.

The most prestigious type of financing is through an IPO. It has however many requirement attached to it and puts a lot of requirements on the company issuing shares not only during the financing period, but also after in fact the rest of the company's life. There are many benefits of going public, but there are also some back draws that needs to be considered before starting the process and these are:

- Does the products provide basis for increasing revenue over the next three years

- Is management team mature and ready for the task of going public?

- Does the company have the right board of directors?

- Can the organization scale with the growth?

- Does the organization need added strength on middle management or miscellaneous specialists?

- Are the company dependent of less than 10 customers or one makes up more than 15%?

- Are the sub suppliers reliable and committed to scale with the growth of the company?

- Does the company have financial infrastructure in place to on a daily, weekly or monthly basis to monitor the companies "health"?

- Does the company have the capability to report Profit & Loss and Balance Sheet ten days after the quarter end?

If the above questions can't be answered positively, it is probably not the right time to start the IPO process. The problem is however often that these questions are not raised either because people are not aware of these requirements, but unfortunately often ignored out of ignorance. This can happen because of greed or urgent necessity to get additional funding to survive and grow. Result is therefore that many of such companies fail within 12 months of their IPO, when the flaws in the nine above parameters become apparent due to lack of knowledge, capabilities or support to execute the tasks that are necessary to perform well in its business.

The saddest thing in this regard is the investment bankers, lawyers and public accountants that participated in the IPO process did not raised a flag. This is not the time to speculate in their motives, but one has ones own conclusion. The same can be said about the board of directors even though they had to sign off on liabilities & warranties as part of the IPO process.

The business conduct clearly shows human factor is an important factor in how businesses develop.

9.4 The IPO process

The Initial Public Offering (IPO) is one of the most challenging things for a start-up company. From that moment and forward the company is not solely in charge of the company. It is therefore an important decision to go forward with an IPO. The human factor comes to a real test, when a company starts the IPO process.

9.4.1 Getting ready

To initiate the IPO process a long list of issues needs to be considered, as described above. Minuses of the above list can be corrected relatively easy and this should of course be done.

In order to present the company to the due diligence team made up of lawyers, public accountant and senior technical specialists a "data room" needs to be established. This contains all relevant information and data about the company. This forms the basis for the prospective also called "The Red Herring". It is also the basis for the legal document the board of director and management have to sign in order to declare that all relevant information has been provided and nothing negative has been hided from the due diligence team. They have to provide warranties for all liabilities set out in the above legal document.

9.4.2 Due Diligence

Due diligence is a term used for a number of concepts involving either the performance of an investigation of a business or person, or the performance of an act with a certain standard of care. It can be a legal obligation, but the term will more commonly apply to voluntary investigations.

Due diligence is the process by which the earlier mention due diligence team has to go through. It is made up of a review of all important company data such as: contracts, agreements product rights and licenses, business plans, correspondence and all minutes of meetings from board of directors meetings and management meetings. To accommodate the due diligence team and help management to structure the data a data room is established.

The more complete the data room is the less work is involved for management and board of directors, the less the due diligence can be very painful and take a lot of time and resources away from the company in its daily operation. This is clearly not good for the company that has to focus on excellent execution not the least before the IPO.

If the due diligence phase is too slow it might be a good idea to postpone the IPO for a while. This happens however seldom for the

reasons described in section 9.3.

9.4.3 Road show & Red Herring

In order to get interest in the stocks being issued during the IPO management of the company going public travels around to important cities to meet and present the company and the investment opportunity it represents. This is done together with a team from the investment bank(s), which is taking the company public and responsible for selling the shares.

This is the first time that management uses time on selling their shares and it is something they are involved even after the IPO, where part of the future is to inform the market about how business is developing. It can take much more time than is good for management, but the better management knows and controls its business and communicates this the easier it becomes for management to undertake this additional task.

The information package about the company is contained in a document called "the red herring". This documents presents the business and it potential. The document contains normally a long list of the risk involved by investing in the company pointing to all the things that might happen to the companies business internally as well as externally on the customer side, distribution wise, supplier side, technology wise etc.

Meeting the future and potential investor involves a lot of psychology and the human factor plays a role again. It has a significant impact on the value of the company shares being sold. This puts management of the company in a delicate position. On one hand they wish a good price on their shares and on the other hand they have to live up what they present related the company's business. Here it is important not to become greedy by overselling the stocks and not too careful what they tell about the business. The reason of being careful can be unwillingness to give out too much competitive information or simply being unsure of its own business. Whatever the motive is, it is utmost important that management know their business, have confidence in it and are ability to communicate how the business is going and its potential.

It is important for management to do this in a mature and balanced way, where it is important to show confidence and enthusiasm for the business. In other words not overselling the company. Equally important is it not to be too humble and restricted in the communication about the company.

The meeting with the different types of investor is a psychology test in itself. Here management will meet a wide spectrum of personalities with a different set of human skills and characteristics such as: Aggressiveness, arrogance, friendly/unfriendly, smiling/ pokerfaced, curious/ not curious, interested/not interested, educated/uneducated, informed/uninformed, and knowing/learning.

The above is not an exhaustive list, but it tells the complexity the management is facing telling their business story. Management have to stay on course not let the impressions that the investors expresses effect them in their presentation of the business. Many problems have initiated out of not staying on course and cost management a lot of time to correct and the company share price have suffered as a result of the presentation hick up.

9.4.4 Listed public exchange

Being listed on a stock exchange is a great experience for any management of a company. It is important to enjoy that moment, but not being obsessed with the stock price. Some management does get obsessed with following the stock price constantly. They are no longer in charge of their company, but are being driven by the share price itself. The reason for this is mostly excessive greed.

9.5 Life after listing public (management and board of directors)

The IPO is not the end of the road; it is the beginning of a new business life, where all significant things happening with the company have to be communicated to the markets and its investors. The implications of this have all ready been addressed in the above sections.

10. Conclusion

10.1 Moving further and beyond

Many examples have been given on peoples way of dealing with things had a profound impact on the outcome of how companies developed. Since a lot of the issues that occurs in companies have their origin in human factors, this chapter reviews areas that can improve and assist individuals in improving their personal foundation in a broad sense. Further to the above a view of the future trends within the business environment is presented and with it, the implications these new conditions have on all the participants in such future businesses.

10.2 The impact of personal life on business life

The origin behind how people act in the business is strongly influenced by the basic values and beliefs. If an individual has unrest for example due to unsettled issues in various parts of their life, it will have an impact on how the individual behave in the business they participate in.

10.3 Emotional- moral- spiritual Intelligence

As we go through life we develop our emotions, some more than others. It all comes down to how much we reflect on events, that creates these emotions. During childhood and early teens our parents, they take care of us and shield us from things that are too early in life to be involved in. During the teens we set out on our own journey. The first part of that journey is very emotional. We have a lot of new confusing emotions we have to learn to deal with and at the same time we have to get independent from our parents. All this makes it a very exciting journey. Since we are not emotional developed, we are also very vulnerable. Some individuals come any further, because they are not able to handle their emotions. There are different reasons for this. One can be that our childhood was insecure and unloving. Another can be caused by our genetic inheritance. “Finding your purpose may be a lifelong pursuit or you may have discovered it when you were 5 years old. There’s no absolute timeline for anyone. That’s a good reason never to give up, to keep on discovering things every day.” Donald Trump If we learn to understand and deal with emotions, we will reach high on the scale of Emotional Intelligence. As described by Daniel Goleman in his book: Emotional Intelligence, Why It Can Matter more Than IQ, Bantam, 1995. In his book Daniel Goleman presented the following dimensions as the basis for Emotional Intelligence: knowing one’s emotions (self-awareness), managing emotions, motivating oneself, recognizing emotions in others and handling of relationships. Once we a certain stage of Emotional Intelligence, we are ready to start dealing with the issue of Moral Intelligence, which was briefly discussed early in the books chapter 1. For a detailed and very qualified description and analysis, I refer to the book of Doug Lennick & Fred Kiel, Ph.D., Moral Intelligence – Enhancing Business Performance and Leadership Success, 2005 Pearson Education, Inc. Doug Lennick & Fred Kiel focuses on four principles that are vital for sustained personal and organizational success: integrity, responsibility, compassion and forgiveness. A useful way to think about your “moral compass” is to think of it as an ordinary compass with true North representing integrity, South – forgiveness, East – compassion, and West – responsibility. Having obtained a good order in our own “Moral House”, as regards to Moral Intelligence, we are ready to start to set out to conquering new territories alone or as a team with others. The direction is determined by your interest and the cause you have selected.

“The human mind is our fundamental resource. When power leads man toward arrogance, poetry reminds him of his limitations. When power narrows the area of man’s concern, poetry reminds him of the richness and diversity of existence. When power corrupts, poetry cleanses.” John F. Kennedy

10.4 Contributors to the Human Factors in Innovation

This section will discuss the contribution that the different participants can provide to the process of innovation. This includes Politicians, Leaders, Business Angles and Individuals.

10.4.1 Politicians

Politicians can influence innovation in many ways. Just to mention a few categories: Financially (e.g. loans, bank guarantees, tax incentives Education in the classroom (Classes in innovation and starting up a business) Education at the floor (Training in actual start up companies, mentor/coaching)

The financial support is definitely helpful, but not enough to release the entrepreneurship in all of us. Educational initiatives in innovation and starting up a company etc. will support the individuals, that want to start up a business, but does not activate those that have not thought about it. The last category needs a special “kick”, which they can experience by getting a chance to work in actual start up companies. Experiencing all the enthusiasm and energy that entrepreneurs generate around them and thereby making the final step for them to move into becoming an entrepreneur.

10.4.2 Managers

Managers are individuals that normally have reached a certain level of Emotional and Moral Intelligence. In the process of leading they recruit individuals that posses the same capabilities to serve as “lieutenants”. Together they lead a team of specialists. They do it by directing and coordination and not the least coaching. Hereby they guide individual specialists to a higher level of Emotional and Moral Intelligence and assists them in develop in such direction. In other words a leader does not only direct and coordinate, but he also takes on the responsibility, that he sees as a necessity, to develop his team and thereby obtaining a much better team and thereby better results.

10.4.3 Business Angels

The Business Angels engage in companies by investing in them and will normally take an active role as a Board Member or even assist in certain operational tasks. They do not engage in the organization directly as the manager, but they interact with management of the company he invested in as a coach in the same way as the manager. If he sees or hears something from the specialist level he will discuss it with management, but never interact directly with the specialist. He coaches management through the various challenges that they come across. His person experience and skills benefit those he coaches and thereby making them better managers to the benefit of the company and its employees.

10.4.4 Individuals

The individual person no matter what level in the organization he/she is working can him/herself contribute to improving their individual capabilities and contributions to participating in innovative companies through personal development. Personal development involves control of level of stress. This includes taken time for quality time & reflection and using relaxation techniques