

**Rockies Venture Club**  
February Workshop

Understanding Team Building Dynamics  
for Business Growth

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**Zebulon  
Solutions, LLC**

**Zebulon Solutions**  
An old-fashioned company providing modern productization solutions  
[www.zebulonsolutions.com](http://www.zebulonsolutions.com)

# Workshop Overview

Building a first rate team - whether they are partners or management, employees, contractors, full time or fractional - is critical to the long term success of any startup. And, if you're in the process of raising capital, your team's experience and expertise are a key consideration for all investors.

The key in creating a great team is balance; too many people too early can kill a business from a cost perspective as not having enough people. And, balancing skills, background, and experience is important. A team where all have the same skills kills the team.

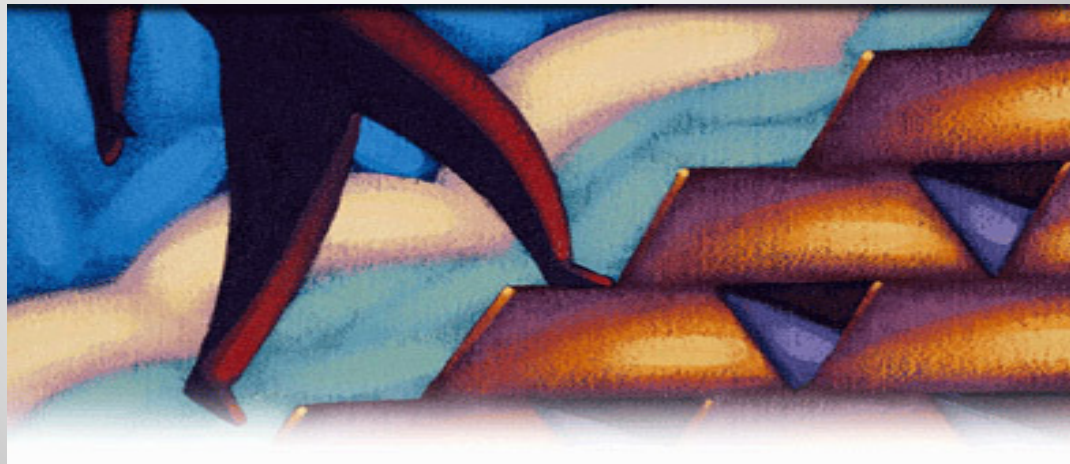
You will learn how to:

- Create the right team
- Balance weaknesses of the founder with the right people
- Identify the right CFO and/or CEO who has raised money
- Define who you need, how often and what skill are required

# Paul DiMarchi

DiMarchi Partners  
Boulder, CO

Executive Search since 1982



**Zebulon  
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# Chuck Hodges

## Entrepreneurial credentials

- **Phase 1: 1990s in Silicon Valley and briefly in Sweden**
  - Grunt engineer in a venture backed startup—closed due to failed product line
  - Founded two companies; ran one for 4 years--both closed after failing to raise VC money
  - Angel investor in one company—failed due to management botches
  - Sr management in a venture backed startup--sold to a public company at a 500%+ return
- **Interlude**
  - 13 years in Sr management at said public company, Flextronics International
- **Phase 2: 2009 to present**
  - **Co-founder and currently CEO of Zebulon Solutions**
    - 220% growth in 2010 over 2009; similar forecasted for 2011 (with luck)
    - Funded from profits 😊
  - **Small scale angel investor**
    - Committed in principle to invest in two companies; considering a third
    - Volunteer deal screener for ACS and CCC
    - Advisor for Boulder Innovation Center and Colorado Green Tech Group
  - **Zebulon Solutions works / has worked with 10+ startups**
    - Solo inventor (with no money) to VC funded (\$19M raise in late 2009)

**Zebulon** Seen the good, the bad and the ugly  
**Solutions, LLC**

## Key Words to Know

- *Fractional*
  - You need the skills but do you need them full time?
- *Interim*
  - You need short term help while you are looking for the long term solution
- *Independent Contractors*
  - Employees or independent contractors or temps?
  - Note that the IRS cares greatly about this
- *Outsourcing*
  - Outsource non core competencies or if you have temporary needs
- *Partnering*
  - Find partners to fill gaps and build strategic alliances
- *Recruiting*
  - Executive search firms can help find key people

Contrary to popular belief, it is actually tough for startups to attract true top talent as full time employees

# Building a First Rate Team

- Building a first rate team is critical
- Striking a proper balance is essential
  - having too many people too early can kill a business from a cost perspective as fast as not having enough people.
- It is crucial to balance skills, background, and experience
  - a team that all are finance types will fail as surely as one that is all scientists.



**Nothing is more important  
to a startup than its team.**

# Find Great People

- *A* people hire other *A* people.
- *B* people hire *C* people
- *C* people hire *D* people, etc.

Therefore never compromise on quality of hires.



# Balance

- **Balance out the weaknesses of the founder / existing team**
  - If you do not think you have weaknesses, look again
- **Look for diversity of backgrounds**
  - A team of 100% grad students will likely fail, as will a team of 100% vets from XYZ company
- **This is really tough in practice to do**
  - Everyone gravitates to like minded individuals

# The CEO and the CFO

## VERY IMPORTANT

- Either the CEO or the CFO should be experienced in raising money
  - Meaning that one or the other needs to have been on the C Level team of a company that successfully raised the amount and type of funding that is currently being sought\*
- If you are the CEO, are not personally rich, and have not raised money before, it is absolutely paramount that you find a CFO who has
  - Really rich CEOs who know lots of really rich people are an exception
- VCs and sophisticated Angels invest in teams with a track record

\* Note: to be brutally frank, what you really need is someone who has raised money and had a successful exit

# Sweat Equity

Sweat Equity is the number one way startups fund themselves

Beware, however, the pitfalls:

- **Sweat equity is code for “working for free”**
  - Opportunity cost is real
    - If you work for 6 months without pay, your bank account drops
  - Be realistic about your tolerance for working without pay
    - And have frank discussions with anyone you under a sweat equity agreement
- **The IRS can be an issue. Example:**
  - **How you see it:**
    - Joe works for free and you give him 10000 shares of stock a month in lieu of pay
  - **How the IRS sees it:**
    - You are paying Joe 10000 x the value of a share of your company a month, and Joe is then buying 10000 shares of stock at that same share price
    - Joe owes the IRS income and FICA for that amount
    - And the IRS may rule that Joe is an employee in which case you are liable for the withholding, workers comp etc, and maybe liable for big penalties
  - **This is complicated—consult a legal or accounting advisor**

# Strategic Thinking For Your Hiring Needs

## Budget

- can you afford to hire the folks you need?

## Roles

- do you have specific job duties for each role?
- do you have specific position descriptions for each role?

## Priorities

- Who's first?
- VP Engineering or CFO?

# How do You Find Candidates

- On your own
- Job boards
- Networking
- Through recruiters
  - if so, which ones
  - Primer on working with recruiters...

# Interviewing and Evaluating Candidates

- Focus on job and culture equally
  - Both are critical.

# Guidelines

## Guidelines for types of folks that you want to hire in an entrepreneurial environment



Say that three times fast...

Look for these things in the folks that will help you succeed:

- **Emotional ruggedness**
  - not afraid of failure or criticism or direction
- **Renegade attitude about getting things done**
  - Preference towards asking forgiveness instead of permission
- **Someone that gets your vision and agrees with it**
  - if it's your entity, don't be taken off track
- **People that think like owners, not employees**
  - even if they are the latter
- **Confidence without a needy ego**
  - the ability to do well without needing everyone to know you've done so.

**Thanks a million!  
Ya'll have a nice day.**

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