

PEOPLE PROBLEMS ARE THE BIGGEST CAUSE OF STARTUP FAILURES

## How to Reduce Conflict in Your Startup, Corporate Innovation and Business Teams

Pre-mediation is a simple way to align your team, avoid conflict and improve team performance



*“The relationship between co-founders is usually the single biggest risk to a startup in the earliest stages, it’s certainly the most common reason for failure we see at YC.”*

- Harj Taggar, Former Partner at Y Combinator

*“In selecting investments, VCs see the management team as more important than business related characteristics such as product or technology. They also attribute more of the likelihood of ultimate investment success or failure to the team than to the business.”*

- Paul Gomers, Will Gornall, Steve Kaplan and Ilya Strebulaev ‘How Do Venture Capitalists Make Decisions?’

**People problems are the biggest cause of startup failures.** While some conflict within a team is natural and can actually be the seed for innovation, many startup teams actively avoid difficult conversations about founder motivations, how much time founders are committing, who makes decisions and equity misalignments. Corporate innovation and business teams also suffer from employee and organizational silence that can negatively impact employee motivation, collaboration and innovation.

*“Years of observing, leading and consulting small teams made us realize that it’s not the lack of knowledge that makes effective teamwork so hard. It’s the hard questions themselves that are not being asked at the right time.” — The Team Canvas*

Failure to discuss the elephants in the room results in poor communication, delayed decision making, and escalated conflict when issues become unavoidable. Aside from reducing team performance, these elephants often cause talented team members to leave and projects to fail.

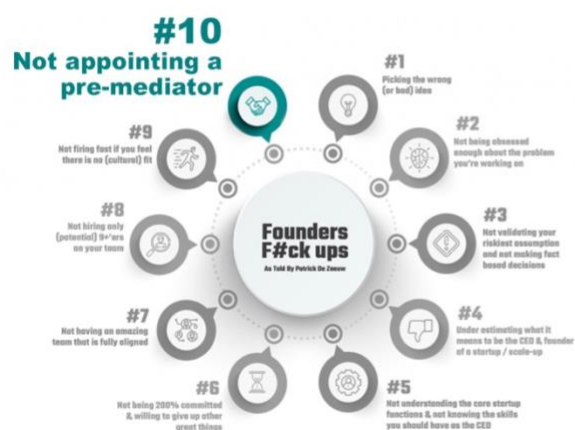
## ‘Pre-mediation’ reduces conflict and improves team performance

Startupbootcamp, the world’s largest industry-focused accelerator, has been using pre-mediation across its accelerator, scale and corporate innovation programs since 2012. The ‘pre’ in pre-mediation refers to the need to have early and honest discussions to identify and mitigate potential problems before they become big problems. In Europe, pre-mediation is run by Mr. Roelof Vos. Each startup team meets with an independent facilitator to discuss potential misalignments in founder roles, equity, commitment and other issues that can often cause founder conflict. Corporate innovation teams meet with a facilitator to discuss team dynamics and issues that may be affecting team performance.

**Startupbootcamp estimates that pre-mediation has saved at least 15% of the 700+ startups** in its portfolio and has made pre-mediation a compulsory component of the 20+ accelerator programs it runs around the world each year.

## “30 ways Startup Founders F#ck up”

by Patrick De Zeeuw



*Startupbootcamp co-founder, Patrick De Zeeuw, believes that pre-mediation saves at least 15% of the startups in their portfolio, and that failing to appoint a pre-mediator is one the top 10 ways startup founders f#ck up!*

Over the last two years, I have developed and facilitated the pre-mediation sessions for the Startupbootcamp accelerator and corporate innovation programs in Melbourne. I'll be honest, I've been surprised how valuable it has been. It has surprised the startups too.

*“Successful startup founders don't just love what they're doing, they are obsessed by it. This obsession drives them, but can also cause problems between founders, investors and other stakeholders. Startupbootcamp uses pre-mediation in all our programs to help teams identify and quickly resolve potential conflict before it escalates. Denise Tambanis has been running these sessions for us in Australia. She has a unique set of skills and startup experience which means she's ideally suited to run these. Her sessions are consistently ranked amongst the highest of any sessions on our programs.”*

— Richard Celm, Cofounder & Executive Program Director, Startupbootcamp Australia

In reality, most of the startups I have worked with are scale-ups and have already experienced conflict within the current team or with previous teams. Many have experienced conflict with early investors and other external stakeholders. That said, founders are super busy building product, finding new customers or looking for investors. They don't think they have time to focus on team dynamics. In some cases, founders are actively avoiding any discussion of misalignments or interpersonal tensions within the team, in case they 'open a can of worms' and result in more conflict. However, once we sit down with teams, we find they are often relieved to finally address the elephants in the room and get help resolving conflict. Teams also appreciate the opportunity to avoid future conflict by developing better communication, work flows and governance processes.

As a result of the success at Startupbootcamp, I have been increasingly getting interest from startups and corporates to run pre-mediation outside the program. This article shares my experiences and provides some insights for startup founders, corporate innovation and business teams that want to reduce conflict and improve team performance.

## **What is pre-mediation?**

Startup pre-mediation is an informal discussion between founders to specifically talk about issues that may be causing tension or conflict with the team. It can also address conflict between founders and employees, investors or other stakeholders. For corporate innovation and business teams, pre-mediation creates a framework to discuss team dynamics that may be affecting collaboration, motivation and performance.

## What types of issues are discussed in pre-mediation?

Every startup, corporate innovation or business team is different. Some startup teams will come to pre-mediation with specific issues they want to discuss — a founder disagrees with the direction of the company or believes another founder is underperforming. In some cases, a founder's role has changed and they no longer think the equity allocation is fair. That said, there are common causes of conflict.

In his best-selling book "The Founder's Dilemmas: Anticipating and Avoiding the Pitfalls That Can Sink a Startup," Harvard Business School Prof. Wasserman reports that 65% of the failures of high-potential startups are due to 'people problems' that consistently fall into the Three Rs: Relationships, Roles and Rewards. Importantly, Prof. Wasserman found that these are all sensitive issues that most teams avoid discussing — they become the 'elephants in the room' that can cause teams to underperform and tensions to rise when these issues become unavoidable. Pre-mediation can be used to encourage teams to talk about the Three Rs and to normalise these otherwise difficult conversations.

In startup pre-mediation, I always make sure to ask founders about how they met, who does what, and how they are compensated. In particular, I ask whether founder agreements have vesting and buyback provisions. These questions reveal whether founders have incentives to stay with the startup and/or whether founders understand that roles and relationships are likely to change as the startup pivots or scales into new markets, brings on new hires and investors. I also ask each founder what is their vision and goals for the startup. In my experience, this question can highlight differences in the values and interests of founders that can often lead to conflict. Founders without a common vision and goals will find it significantly more difficult to align founders, employees, investors and customers.

While corporate innovation and other business teams can also experience tensions around roles and responsibilities, they can have additional sources of conflict. Corporate innovation teams are often put together from different departments within an organisation. Team members may never have worked together before and may have different communication and work styles. As described in Shane Snow's "Dream Teams: Working Together Without Falling Apart", teams with diverse skills and ways of thinking are shown to improve problem solving and increase innovation. However, diversity can also generate conflict.

*"All the research shows that cognitive diversity makes us smarter. But unfortunately, all the studies show, it also makes us more conflict prone. And that conflict often blows our teams up before we can make use of our differences."*

*-Shane Snow's "Dream Teams: Working Together Without Falling Apart"*

Pre-mediation can be an important step in helping team members become more self-aware, better communicate and appreciate the value of diverse skills and thinking across the team.

In traditional process driven companies, there is little tolerance for risk and mistakes. Innovation requires a different mindset. Team members need to be able to speak up with ideas, questions, concerns and mistakes without being embarrassed or feeling insecure. Google research found this concept of 'psychological safety' to be the most important key to a successful team. The research builds on the work by Harvard Prof. Amy Edmondson who studied team performance in medical, manufacturing, business, government and other organisations, and found overwhelming evidence that teams willing to take risks and talk about errors were much quicker to learn, innovate and grow. Pre-mediation can be used to ensure that each team member feels they are making an impact and comfortable speaking up with ideas, questions, concerns, and mistakes.

## 5 keys to successful pre-mediation

1. **All team members should attend.** The team member who doesn't want to attend is often the 'elephant in the room'. If a team member is remote, I recommend they participate by video rather than a voice call.
2. **Use an independent facilitator.** A skilled and trusted facilitator can help founders to identify issues and assist team members to explore possible outcomes and solutions.
3. **Pre-mediation is confidential.** Team members should be able to speak freely without worrying that their concerns or disputes will be heard by investors, management or other outside parties.
4. **Short but focused sessions.** 1 to 1.5 hour session in a private meeting room. The agenda should focus on potential issues of conflict and team dynamics and effectiveness. If there are serious conflicts, it may be necessary to move to a ½ day mediation-style process to hear all parties and explore possible outcomes and solutions.
5. **Meet Regularly.** In the same way we should regularly schedule visits to the doctor or dentist, teams should regularly schedule pre-mediation whether they think they need it or not. This helps normalise discussions and prevents waiting until tensions have risen to mitigate conflict. At Startupbootcamp, the startups and corporate innovation teams meet 1–2 times over the 3-month program. The Startupbootcamp founders schedule pre-mediation for themselves at least once a year.



## Summary

Most startups fail, and corporate innovation and business teams underperform, because of people problems. The one simple thing that founders and teams can do to prevent this is talk! Pre-mediation is an effective and efficient way to bring the teams together and facilitate open and honest discussions on the issues that often cause conflict and underperformance. Pre-mediation also helps teams align values and interests. **Every decision about product development, hiring, and strategy is easier when the team is aligned.**

Follow me to find out more about pre-mediation and how I work with teams on performance and conflict resolution. You can also reach out to me on [LinkedIn](#) to discuss how pre-mediation can help your team.

*This article was first published by Denise Tambanis on [Medium](#) on 24 September 2019*