



Stanford eCorner

Five Critical Skills That Entrepreneurs Need

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Kaplan talks about the five critical skills that entrepreneurs need: 1) Leadership: ability to build consensus in the face of uncertainty 2) Communication: ability to keep a clear and consistent message 3) Decision-making: knowing when to make a decision 4) Being a good team player: knowing when to trust and when to delegate 5) Ability to telescope: to focus in on the details and then move back to the bigger picture.



Transcript

The last area I want to talk about is the five critical skills that entrepreneurs need. Now the first is going to sound like it's out of a textbook, but the definition may be a little bit surprising. And that is leadership. Now, I don't know how much stuff I read about leadership and I never really understood it until I saw people who were genuine and true leaders. Because leadership only comes into play when things aren't going well. And the key aspect of leadership is the ability to build a consensus in the face of uncertainty. Now, oddly enough, I'm not actually very good at this, but I have known many people who have a remarkable ability of taking a large group of people who have divergent opinions, all of whom have good evidence for their positions, and where there really isn't an analytically determinable course of action, and they can stand up in front of that group and say "Okay, we know that this is risky but we're all going to get together and we're going to go and we're going to do that." And that is what leadership is about. Where everybody goes, "Well, I didn't really agree but you know what, he's right, we got to do this together and we got to go make it happen." And that is the key aspect of leadership. Since I really haven't learned it well, I don't think it can be taught. I think it's a personality skill about being persuasive and that's a really critical skill.

To be able to bring together people of divergent opinions under uncertainty and get them to agree to attack a particular problem. The second skill you need is communication. Everybody in your organization has to know what their job is and has to understand in some - I forgot the word - this is the problem. When you think of the word, raise your hand. Even in some unusual way, everybody in their organization has to understand how what they are doing really contributes to the success of the organization. Now, what you will find if you run a company is you think you've made everything clear. And you think you've gotten your messages across. And you think everybody knows what's going on. It's really really hard to communicate these things. And people don't necessarily understand it.

And you have to keep hammering on your messages, day and night, everybody that you need to communicate to. You have to talk to them. You have to explain to them why it is that staying late on Friday to make sure those extra boxes get shipped is going to make a difference because it's going to arrive on Monday instead of on Tuesday and maybe that's the end of the quarter and you need to get the revenue in, or whatever it might be. To explain to people why what they're doing has a direct effect on the results that the group has is a very very important thing. You're constantly communicating, constantly connecting the dots. You're over talking to one guy, "Hey, you know, you're working on that. There's a guy here who is doing something similar. They need to talk to her, and you can share. You don't need to do it twice." I'm wearing two microphones right now. Both of them are for video taping.

The first question I asked is why don't they just have one camera and make one video tape? Hey, you know what? That's the difference between a university and a company. It's redundancy. Okay. Wouldn't happen in my company. We would never tape something twice. The amazing thing is if you watch both of these tapes side by side, they're going to be different. Worst part of this is when I make myself laugh. The third critical skill that entrepreneurs have to have is knowing when to make a decision. Now, this is a very interesting thing because usually in your life, you're not faced with this problem. But when you're running a company, you're faced with it all the time.

If you make it too early, that's a mistake. You make it too late, that's a mistake. And the emotional state that most people have would drive them either to make it too early or too late. Let me be specific. The hallmark of the amateur is to make decisions before they need to get made. The reason is they're confused and feel inundated by all of the complexities around them. And they have a visceral desire to simplify the situation. And in simplifying, the usage of the word simplify in this situation is to make a decision prematurely. Ok, now we know when we're going to release the product. Ok now, what do we have to do? Well maybe that wasn't the right time to make that decision.

Maybe you should wait another few weeks until you have a little more data. Now let me go to the other extreme. There are people typically of an academic style who make the opposite problem. They won't make a decision until they reach the point where they feel like they have enough information that they have confidence that they are making the right decision. And that is often, usually, making it too late. So, one of the skills you always have to ask yourself when you're in a position of leading an organization is "Is this the right time? Do I need to make it now? Will it help the organization if I make it now? Will I have more information in time when the consequences won't be bad?" And that's the kind of calculus that you have to learn and not react emotionally like "Oh my god, I got to make a decision so everybody could sleep at night." Or "How can I make a decision, we're not going to know until tomorrow whether or not something happened." Bad idea. The fourth is really a critical skill. It's doing teamwork. It's about trust. It's about delegation.

It's about supporting the people around you and believing that their skills are skills that you don't have and most important, knowing that sometimes they know better than you do. Just because you may be the CEO of an organization or the vice president of a division, whatever it is, you don't have a monopoly on what's right and what's wrong. And it doesn't mean that you know better than the other people who work for you. You have to learn to let the intelligence of the institution, of the organization, to bubble up and most of the good ideas actually will come from within. Like people who have direct contact with the customers, people who have direct contact with suppliers, whatever it might be. Those are the people that you have to trust and you have to listen to and you have to follow them. Being a good leader means being a good follower sometimes. You have to follow the people who have the skills and have the knowledge, regardless of where they sit in the organization chart. My last point is critical skills in your ability to telescope. To be able to focus in on some little detail that needs attention and take care of it and then be able to telescope back out and see the big picture, understand how that fits the big picture.

Related to these two last points, one of the guiding principles that I've used in starting companies is to think of myself, understand that I am an employee of the company just like everybody else. I'm not special, I'm not different. And no task is beneath me. I can remember washing the dishes in the sink because it needed to get done on a Friday afternoon and everybody else had important stuff to do. And people are often surprised. "Hey, the CEO cleaned the kitchen." Well what is happening? What does that tell you about what kind of attitude I should have as hypothetical employee? If the CEO doesn't think it's beneath him to wash the dishes and make sure the kitchen is clean. So, if you think of yourself as an employee just like everybody else in the organization, that's a great way to then trust to do teamwork and to support the people around you. And also, represents your ability to telescope. To give worth to small details and come out and look at the wide details as well.