

**The Human Capital Advantage: A Curriculum for Early Stage Ventures**

**Module One: Human Capital: A Key Competitive Advantage**

**Introduction/Value Proposition**

Paying attention to getting operational excellence and human capital strategies right from the beginning can give your business a competitive advantage, because the ability to deliver excellent products and services rests with your people.

**Goals/Desired Outcomes**

After this module, entrepreneurs should be able to:

* Articulate their vision for culture
* Effectively make the case to investors

**Advance Prep**

Send around the articles below, emphasizing the importance of the pre-work.

**See PowerPoint for presentation/exercise content:**

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| --- | --- | --- |
| **TIME** | **TOPIC** | **MATERIALS** |
| 15 min | Introduction to the module/goals of day | PPT, laptop, projector |
| 20 min | *First pitch exercise: each entrepreneur share what is special about their team that would enable the company to last 30 years and/or meet its goals* |  |
| 15 min | The importance of investing in your human capital/making the case – theory/slides |  |
| 15 min | Brainstorm on importance of culture |  |
| 15 min | *Exercise on core values & debrief* | Handout |
| **5 min** | **BREAK** |  |
| 10 min | Identifying the next stage of your venture and hires needed – theory/slides |  |
| 20 min | *Exercise on next stage/hires – 10 min to i.d. and 10 to debrief with group* | Handout |
| 15 min | Articulating your human capital strategy – Brainstorm, then a few suggestions |  |
| 40 min | *Exercise on articulating HR strategy – 5 minutes to jot down key components of your strategy, small groups pitch each other, then report back to group* | Handout |
| 10 min | Wrap up, key take-aways, evaluation | Evaluation form |
| **180 min (3 hrs)** |  |  |

**Exercises**

1. First pitch on what is special about your team that would enable your company to last 30 years/meet business goals
2. Interactive exercise on the importance of culture
3. Exercise on core values *(see handout)*
4. Exercise on identifying the 5 big things you need to accomplish in the next stage of the venture, the skills associated with each, and who you’ll need to bring on board to accomplish those things *(see handout)*.
5. Final exercise: take 5 minutes to jot down key points of your human capital vision on your handout, then divide into groups and practice pitching each other as if you were potential investors or new staff or board members. Then report back to group as a whole. *(see handout)*

**Follow Up/Measure progress**

Check in after a month, six months, a year on progress

**Resources to distribute ahead of time**

*NOTE TO PARTICIPANTS: This pre-work (reviewing these materials) will take you about 30-60 minutes and will enable you to participate at a much higher level.*

* The New York Times: [Managed by Q’s ‘Good Jobs’ Gamble](http://www.nytimes.com/2016/02/28/magazine/managed-by-qs-good-jobs-gamble.html?_r=0) 
  + Length: Short online article
  + Summary: Managed by Q offers on-demand office cleaning and other services to businesses. Unlike other on-demand service firms which employ contract labor, Q’s strategy is to invest in its employees by hiring them outright, paying them well, and offering good benefits, a 401(k), sick leave, guaranteed hours, and eventually stock options. Their belief is that this strategy will result in better customer service and, long term, better bottom line results. Investors such as RRE Ventures, GV and Kapor Capital are on board.
  + Relevance: High
  + Specific take-aways: A higher investment in employees upfront can result in better customer service and customer retention, helping to grow the business in a robust and sustainable manner over the long term. A number of investors are on board with this strategy.
* See also: [Startup Banks $15M in Quest to Be ‘Best Employer’](http://money.cnn.com/2015/06/18/technology/managed-by-q-funding/) and [Managed by Q, an On-Demand Start-Up, Raises $25 Million](http://www.nytimes.com/2016/04/04/technology/managed-by-q-anon-demand-start-up-raises-25-million.html)
* Fast Company: [Why Treating Your Employees Fairly Can Actually Boost Your Profits](https://www.fastcompany.com/3027244/4-low-cost-retailers-that-are-worth-more-than-youd-think)
  + Length: Medium length online article
  + Summary: This is a short summary of Zeynep Ton’s book *The Good Jobs Strategy*. Research-driven argument that operational excellence enables companies to offer the lowest prices and best service to customers while ensuring good jobs for their employees and superior results for their investors.
  + Relevance for early stage entrepreneurs: High
  + Specific take-aways: A combination of investing in employees and focusing on operational excellence can result in superior business performance, even in low-cost retail.
* Inc. Magazine: [How to Build a Company That Will Be Around in 2115](http://www.inc.com/magazine/201510/bo-burlingham/built-to-last-and-last.html)
* Length: Short article
* Summary: The prevailing approach to building companies has been to focus on getting capital, building a business, and selling it for a large multiple. But a growing number of entrepreneurs are ditching the steroid-like growth that comes with outside investment, and building their companies to last. These firms, known as evergreen companies, may be positioned to make more money in the long term as well as having lasting positive impacts on customers, employees, and the world.
* Relevance: High
* Specific take-aways: The seven defining characteristics of evergreen companies are purpose, perseverance, people first, private, profit, paced growth, and pragmatic innovation. More specifically, to build a company to last 100 years, you must be obsessive about values, reputation, and promoting from within. There is a growing network of evergreen companies -- the Tugboat Institute is a membership organization for evergreen CEOs and it has an associated investment group.
* The Hitachi Foundation: [Business Action Guide: Communicating the Company’s Values Clearly and Consistently: Tasty Catering](http://www.hitachifoundation.org/storage/documents/Tasty_Catering_Communicate_Company_Values.pdf)
  + - Length: 2-3 page article
    - Summary: Clearly defining your company’s core values – and communicating them consistently – is one of the most fundamental steps in building an engaged, productive workforce. Doing so helps ensure that employees understand exactly what is expected of them, reducing confusion and the need for micromanagement. Even more powerful is to work together with employees to identify and define the core values, ensuring a higher level of buy-in.
    - Relevance for early stage entrepreneurs: High
    - Specific take-aways: Define values that everyone can own, use values to guide performance, implement no-blame accountability systems, build a culture of appreciation, and live your values through repetition and shared language.
* Fast Company**:** [How Facebook Keeps Scaling Its Culture](http://www.fastcompany.com/3053776/behind-the-brand/how-facebook-keeps-scaling-its-culture)
  + Length: Medium length online article
  + Summary: The company Mark Zuckerberg created is now a public company with 12,000 employees. But it's doing its best to keep on acting like a scrappy startup in order maintain its culture of innovation.
  + Relevance for early stage entrepreneurs: High
  + Specific take-aways: Facebook’s new office is designed to maintain the company’s focus on collaboration. The floors are still bare cement; girders and vents remain exposed. Everyone, including CEO Mark Zuckerberg and COO Sheryl Sandberg, works at tables in open spaces. The company is clear about its mission of making the world more connected, and all employees equally share and communicate that mission. New employees decide which team to work on based on where they can have to most impact. The company has evolved as needed; e.g., from “Move fast and break things’ in the early years to “Move fast with a stable infrastructure’ now that the stakes are higher.
* Beyster Startup Toolkit: [Sharing Equity Ownership: Who Should Get What and Why?](http://rady.ucsd.edu/beyster/startup-toolkit/equitycomp/index.html)
  + Length: Multi-part online article
  + Summary: It used to be that equity compensation was limited to top management, but now it’s very common to share company equity broadly within organizations to help motivate everyone to work hard for company success.
  + Relevance for early stage entrepreneurs: High
  + Specific take-aways: This toolkit outlines the various ways a company can share equity with employees and describes factors to keep in mind when designing an equity plan.
* The Hitachi Foundation: [Entrepreneur Xchange: Human Capital/Workforce](http://www.entrepreneurxchange.org/#!human-capital-/sr2z6)
  + Length: Set of five short videos (each about a minute)
  + Summary: Interviews with startup entrepreneurs on the importance of investing in human capital/workforce. Companies include Worksquare, Sea Hag, Runa, and Moving Forward Education.
  + Relevance for early stage entrepreneurs: High
  + Specific take-aways: Your team is the lifeblood of your organization. Invest in them.