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Guest Corner: Entrepreneur, Coach Thyself

By Michael Gurau

Venture capital investors assess entrepreneurs in terms of their business experience: Have they come out of the industry? Have they built a similar business in a similar role previously? Have they worked with their (current) team in the past, or is this a newly formed team? All of these questions are critically important to assessing risk. An entrepreneur with previous experience as a chief technology officer of a biotech company is a risky bet if s/he is starting a consumer software business. Venture capitalists spend a lot of time researching the founder's background to determine whether past performance will signal future success.

What often gets overlooked in this evaluation is the emotional intelligence of the founder/CEO. Emotional intelligence (measured, like IQ, as "EQ") was coined in 1985 by Dr. Reuven Bar-On, an Israeli psychologist. He sought to answer the question of "what factors determine one's ability to succeed in life?" Over a period of 17 years, he gathered more scientifically validated data worldwide than anyone else in the field of emotional intelligence.

According to Dr. Bar-On, emotional intelligence is our ability to recognize, understand and use emotions to cope with ourselves, others and the environment. Although a softer skill set, and therefore more challenging to research, emotional intelligence is perhaps the most important indicator of founder/CEO success in a company. Indicators of emotional intelligence include:

- Self awareness: A good leader knows his/her

strengths and weakness; s/he knows his/her blind spots and works to address them. This not only applies to functional blind spots (e.g., a marketing-oriented CEO that is weak in finance), but also, and importantly, emotional blind spots — i.e. "I tend to talk too much when I get nervous" or "as I invented this technology, I have a tendency to get defensive when someone (employee, customer) critiques it." Entrepreneurs that demonstrate this awareness in the way they behave and communicate create more credibility with investors than they lose for not having the desired skill/demeanor.

- Hiring above one's self: Confident CEOs hire the smartest people they can find for all positions. Insecure CEOs hire people who don't threaten them by being smarter than them in a given area.

As a venture capital investor, I spend a lot of time engaged in due diligence —researching the multiple aspects of an investment opportunity from market to product to management. In researching management, we talk to people who've worked with the individual asking questions about functional strengths and weaknesses. What exactly has the entrepreneur's prior work experience been? Functional roles (e.g., marketing, finance), management experience (had people working for him/her) and company-building experience are the most common questions in this inquiry.

The subtler investigation relates to assessing emotional intelligence. Here, we talk with the entrepreneur and his/her references to get to the softer qualities of temperament, personal style and philosophy of life and work. Talking with former peers and subordinates can give us clues, if we ask the right questions: How does this individual handle stress or failure? Does s/he hire above him? Does s/he know what s/he doesn't know? How candidly does s/he acknowledge weaknesses, failures, blind spots, etc... You can tell a lot from both speaking with former colleagues and replaying this understanding to the entrepreneur to see how s/he relates to the feedback.

Beyond the entrepreneur and his/her references,

current colleagues give an indication of the emotional maturity of the founder/entrepreneur. Whom you choose to surround yourself with says a great deal about you. Fear of being outsmarted by those you've hired is a red flag for investors.

So what can you do to ensure you don't fall into traps?

- First, check yourself out. Do you have a sense for your business and emotional weaknesses and how they play out in your company?
- Next, talk to others around you (family, friends, co-workers), demanding a candid assessment. You may be surprised at the contrast between your image of yourself and those around you.
- Finally, explore working with external professionals whose focus is on these softer elements of leadership and group dynamics. Consulting firms focused on organizational behavior, leadership and/or workplace dynamics have tools — such as personality assessment, as in Myers-Briggs — and training to get under these softer qualities of style and personality that are embedded in emotional intelligence.

Your company, and you, will be happier for it. Michael Gurau is president of CEI Community Ventures (www.ceicommunityventures.com), a venture capital fund targeting investments in Vermont, New Hampshire and Maine. He can be reached at mhg@ceicommunityventures.com.
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