

# How can startup leaders strategically disclose vulnerabilities during periods of crisis?

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# **How can startup leaders strategically disclose vulnerabilities during periods of crisis?**

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**Denise Lim**

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## **ABSTRACT**

The contours of a crisis can vary based on the situation. Still, regardless of the nature or magnitude of a crisis, these trigger uncertainties and ambiguities in team dynamics that can inhibit functional effectiveness and threaten emotional wellbeing. In a startup environment, leaders are especially exposed to the risks of failure and are themselves not immune from personal and professional vulnerability owing to the fallout of a crisis.

The idea of marketing oneself as a strong and invulnerable leader who acts with complete certitude is one that has credence. However, this has over time, been disproven by both research and popular sentiment as the appropriate and most effective choice in all circumstances. Rather, considerations of authenticity are now popular, with leaders' self-disclosure of business and personal vulnerability during these bleak moments being vaunted in popular discourse. Still, doing so recklessly is not only oversentimental, but can be un-strategic in attaining functional outcomes for both team performance and team cohesion purposes. Leaders need to maintain interpersonal credibility and technical credibility when communicating vulnerabilities to their team. This is especially considering the unique context of startups, which are characterized by flat hierarchies, frothy circumstances, and developing governance and oversight. This paper looks to provide some recommendations based on interviews, public practitioner sharing, and academic research on how startup leaders can best strike the balance between communicating vulnerabilities while retaining professional effectiveness.

**Thesis Supervisor:** Zhang Juanjuan

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## Chapter 1: Introduction

During the peak of the 2008 financial crisis, Rahm Emanuel, President Barack Obama's chief of staff, called on the country to embrace crises as opportunities to “do things...once thought impossible.”<sup>1</sup> But the idea that crises can prompt us to embrace radical change is nothing new, with Winston Churchill first proclaiming that one should “never let a good crisis go to waste” even during the wretched days of World War II as he sought to forge new supranational organizations in the wake of that crisis.

The word “crisis”, is typically associated with a sense of instability – with the term plainly defined by Lichtenstein and Plowman as moving away from stability to establish new goals<sup>2</sup>. It can also suggest the existence of a change relative to standard operating procedures, in the context of time pressure<sup>3</sup>, or more specifically, like exogenous shocks to routine practice and process.<sup>4</sup>

But the concept of a crisis is a colorful one. For instance, it also varies by stage, with pre-crisis, period of crisis, and post-crises periods all invoking different needs and effects. For instance, Pearson and Mitroff suggest that pre-crisis periods consist of three steps, namely, vulnerability detection, prevention, and containment.<sup>5</sup> The actual crisis impact period, has further still been analogized by Doern to boxing-related actions – namely, involving “checking vitals, blocking, deflecting<sup>6</sup>, and developing tactical awareness”. This functions as a set of different strategies that entrepreneurs and crisis managers can draw upon to avoid getting “knocked out”.<sup>7</sup> By drawing on a range of defensive, reactive, and proactive actions, managers avoid being boxed in by “linear and static” actions. This period is particularly sensitive and difficult, because early on upon crisis impact, perceived risks are high while business environment confidence remains low.<sup>8</sup> But after the actual crisis, leaders and teams need to deal with the post-crisis period. This involves learning

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<sup>1</sup> Emanuel, R. (2020, March 25). *Opinion | Let's make sure this crisis doesn't go to waste*. The Washington Post. <https://www.washingtonpost.com/opinions/2020/03/25/lets-make-sure-this-crisis-doesnt-go-waste/>.

<sup>2</sup> Hunt, J. G., Osborn, R. N., & Boal, K. B. (2009). The architecture of managerial leadership: Stimulation and channeling of organizational emergence. *The Leadership Quarterly*, 20(4), 503–516. <https://doi.org/10.1016/j.leaqua.2009.04.010>

<sup>3</sup> Lichtenstein, B. B., & Plowman, D. A. (2009). The leadership of emergence: A complex systems leadership theory of emergence at successive organizational levels. *The Leadership Quarterly*, 20(4), 617–630. <https://doi.org/10.1016/j.leaqua.2009.04.006>

<sup>4</sup> DesJardine, M., & Bansal, P. (2019). One Step Forward, Two Steps Back: How Negative External Evaluations Can Shorten Organizational Time Horizons. *Organization Science*, 30(4), 761–780. <https://doi.org/10.1287/orsc.2018.1259>

<sup>5</sup> Pearson, C. M., & Mitroff, I. I. (1993). From crisis prone to crisis prepared: a framework for crisis management. *Academy of Management Perspectives*, 7(1), 48–59. <https://doi.org/10.5465/ame.1993.9409142058>

<sup>6</sup> Doern, R. (2021). Knocked down but not out and fighting to go the distance: Small business responses to an unfolding crisis in the initial impact period. *Journal of Business Venturing Insights*, 15. <https://doi.org/10.1016/j.jbvi.2020.e00221>

<sup>7</sup> Doern, R. (2021). Knocked down but not out and fighting to go the distance: Small business responses to an unfolding crisis in the initial impact period. *Journal of Business Venturing Insights*, 15. <https://doi.org/10.1016/j.jbvi.2020.e00221>

<sup>8</sup> Doern, R. (2021). Knocked down but not out and fighting to go the distance: Small business responses to an unfolding crisis in the initial impact period. *Journal of Business Venturing Insights*, 15. <https://doi.org/10.1016/j.jbvi.2020.e00221>

how to anticipate and deal pre-crisis situations in the future, and secondly, recovery in the sense of helping to re-normalize a business over a long term.<sup>9</sup>

Why do crises perplex us so? Aside from the actual event, they in turn generate two kinds of problems within the organization which compound the difficulty of managing the fallout from the original trigger itself. Mumford et al.<sup>10</sup> suggests that ambiguity and uncertainty are particularly likely to arise in crisis situations. These are separate responses, although commonly coexisting ones. Firstly, ambiguity can arise, which can result in an overly numerous and consequently overwhelming number of interpretations of an event. Secondly, uncertainty can arise, resulting in the opposite problem – a lack of interpretation – as leaders are not in the know of all the information that they do need to know, or lack information on that is occurring in real-time. People shy away from ambiguity and uncertainty, and the confluence of both during this time can generate significant impasses in effective team action under leadership.

Whatever their nature, crises – of whatever magnitude and nature – can either trigger productive change, or be the undoing of an organization. The differentiating factor in whether it makes or breaks an organization is how it responds to it. In mustering an effective response, leaders are essential in rallying their troops to respond productively.

In a sense, encountering and dealing in the unknown is ironically, nothing new to entrepreneurs. Every sunrise brings new hiccups or battles to fight, with “crises” as labelled such only varying in type and magnitude. Kecharananta and Baker, for instance, suggest that entrepreneurs are defined by how they are always “bringing into being something new, and wrestling with making a success out of what is only partly established.”<sup>11</sup> Scheidgen et al<sup>12</sup> also suggest that entrepreneurship and crises are intimately interlinked, with crises resulting in resource constraints, business contraction, or closure, but can simultaneously lead to entrepreneurial ventures building “stronger links” in communities as these ventures engage with crises.<sup>13</sup>

The importance of adept crisis management and leadership skills is especially key in the context of a resource-strapped startup, where the inability to navigate and adapt even one setback can be a matter of life and death. Aside from the exigencies of business survival, startup leaders themselves usually are not excepted from feeling vulnerable in the face of such uncertainty. In fact, founder-leaders might feel even experience an accentuated sense of fragility due to their heightened exposure – financial, time, or career wise – to failure in a venture they themselves weaned from birth. How should startup leaders then command their personal vulnerabilities and vulnerabilities about their business situation, by disclosing them to their team in a strategic, yet authentic way?

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<sup>9</sup> Pearson, C. M., & Mitroff, I. I. (1993). From crisis prone to crisis prepared: a framework for crisis management. *Academy of Management Perspectives*, 7(1), 48–59. <https://doi.org/10.5465/ame.1993.9409142058>

<sup>10</sup> M.D. Mumford, T.L. Friedrich, J.J. Caughron, C.L. Byrne, Leader cognition in real-world settings: How do leaders think about crises?, *The Leadership Quarterly*, 18 (2007), pp. 515-543

<sup>11</sup> Kecharananta, N., & George Baker, H. (1999). Capturing Entrepreneurial Values. *Journal of Applied Social Psychology*, 29(4), 820–833. <https://doi.org/10.1111/j.1559-1816.1999.tb02027.x>

<sup>12</sup> Scheidgen, K., Gümüşay, A. A., Günzel-Jensen, F., Krlev, G., & Wolf, M. (2021). Crises and entrepreneurial opportunities: Digital social innovation in response to physical distancing. *Journal of Business Venturing Insights*, 15. <https://doi.org/10.1016/j.jbvi.2020.e00222>

<sup>13</sup> Scheidgen, K., Gümüşay, A. A., Günzel-Jensen, F., Krlev, G., & Wolf, M. (2021). Crises and entrepreneurial opportunities: Digital social innovation in response to physical distancing. *Journal of Business Venturing Insights*, 15. <https://doi.org/10.1016/j.jbvi.2020.e00222>

## Chapter 2: The Context of a Startup

There is no universally agreed definition for what a “startup” is. For instance, a general definition offered by Startup Commons is that a startup is a “venture initiated by its founders” around a “problem or idea” that could potentially have “significant business impact.”<sup>14</sup> More narrowly, one of the (many) definitions of a startup that has gathered respect originates from Steve Blank, a serial entrepreneur and Silicon Valley veteran, who defines a startup as a “temporary organization” that is intentionally “designed to search”, specifically for a business model that is “repeatable and scalable.”<sup>15</sup> And even more narrowly still, Paul Graham, the co-founder of Y-Combinator defines a startup by “the only essential thing...growth.”<sup>16</sup> Thousands of definitions, to varying degrees of controversy and generality, float contested across business and academic world.

The difficulty with defining the outer edges of what a startup is, and is not, is aggravated by the misguided hype surrounding the startup space as necessarily trendy, disruptive, and therefore always relevant. There exists an eagerness for business owners of all stripe to associate themselves with the concept, whether justified or not. However, a so-called startup structure is not necessarily the most appropriate form that a business can take, especially considering the high-growth, high-risk business needs and capital circumstances of this model. In addition, the danger of conflating the specific species of startups with the wider genus of small and medium sized enterprise (SME) business types or even within the label of “businesses” more generally, means that conventional leadership development models might not be fully customized to startup needs. This is even though younger startups, compared to their more established or conventional corporate peers, do tend to actively engage in leadership development<sup>17</sup> and have highly customizable needs, even if broad first principles of leadership engagement still hold.

To better understand how leadership communication needs should be structured to cater specifically to startups, this section will first consider the unique circumstances that startups are situated in and the implications this has on organizational behavior.

### 2.1. A Tension with Hierarchy

What can confound traditionalists is the ostensible dismissal of hierarchy in and of itself in the startup context. One main attraction of working in a startup environment, is the concept of having a flat hierarchy, where rank (if any) falls secondary to functionality and employees tend to participate more in decision-making processes. Having a flat hierarchy, or least being in an organization advertised as such, can empower people to exert greater autonomy over their work flow and reach across formal chains of command to “get the job done”. On a social level, this also enables greater opening up and sharing across such formal chains of command, with a diminished internal and institutional barriers to access.

Within this “organized chaos of hierarchy” (as quoted by an interviewee), however, leadership development is still important. Startup Genome, for instance, estimates that globally the startup economy generates about

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<sup>14</sup> *What Is A Startup*. Startup Commons. (n.d.). <https://www.startupcommons.org/what-is-a-startup.html>.

<sup>15</sup>Ready, K. (2012, August 28). *A Startup Conversation with Steve Blank*. Forbes. <https://www.forbes.com/sites/kevinready/2012/08/28/a-startup-conversation-with-steve-blank/?sh=3aca0edef0db>.

<sup>16</sup> Graham, P. (2012, September). *Startup = Growth*. <http://www.paulgraham.com/growth.html>.

<sup>17</sup> Prommer, L., Tiberius, V., & Kraus, S. (2020, November). *Exploring the future of startup leadership development*. Journal of Business Venturing Insights. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7500402/>.

USD 3 trillion in value, a number comparable to the value generated by a G7 economy.<sup>18</sup> Startups in specifically the tech industry also have a critical role to play in ensuring a robust pipeline of innovative products and services.<sup>19</sup> On the other hand, however, the startup ecosystem simultaneously commands a considerable portion of revenue and job creation and destruction.<sup>20</sup> Specifically, destruction here refers not to just the lack of growth, but the reversal of prior growth.<sup>21</sup> This presents a large space for improvement. Because startups are so strategically important to the entire business ecosystem, it is important that the best startups have leaders that can get it right. While startup failure is fairly common and expected, one can always try to optimize the quality of leadership in this key group.

## 2.2. Agility and Iteration

A startup is not simply a smaller version of large companies, that consequently, unfold in perfect accordance with smaller-scale master plans. According to interviewees, some features that characterize what is broadly called a “startup culture” or ‘startup environment’ are the presence of flatter hierarchies, a scarcity of resources, and an inclination towards rapid iteration rather than formal planning.

This tendency to plan on-demand can permeate all levels of the organization, from product development to sales and human resource planning. “We do not hire more than a few months in advance,” said one interviewee, who worked at an e-commerce startup. “It is a little about risk-hedging, but... [a significant part of this] because we just do not know what we will need.” This tendency is especially heightened in highly competitive industries, where the actions of competitors and new market stakeholders such as regulators and investors can turn the expected head-over-heels within a day.

Ancona suggests that where situations offer high interpretability and lack coherence, there is “no right map”, in the strictest sense of the word. Rather, the act of coming to an increasingly comprehensive understanding of the overall picture needs to happen through “data collection, action, and experience”, a centralizing act for us to “hold onto”<sup>22</sup> – even if just a placebo shield to keep fear at bay. A plausible, but poor map, while not ideal, may in some circumstances be sufficient to generate endurance and so incentivize teams to work together towards ostensibly stretch goals.

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<sup>18</sup> Startup Genome. (2020, June 25). *The Global Startup Ecosystem Report 2020*. Startup Genome. <https://startupgenome.com/report/gser2020>.

<sup>19</sup> Braunerhjelm, P. (2010). Entrepreneurship, Innovation and Economic Growth: Interdependencies, Irregularities and Regularities. *Handbook of Research on Innovation and Entrepreneurship*. <https://doi.org/10.4337/9781849807760.00021>

<sup>20</sup> Shimizu, Davila, A., Foster, G., He, X., & Shimizu, C. (2015, February 1). *The Rise and Fall of Startups: Creation and Destruction of Revenue and Jobs by Young Companies*. Stanford Graduate School of Business. <https://www.gsb.stanford.edu/faculty-research/publications/rise-fall-startups-creation-destruction-revenue-jobs-young-companies>.

<sup>21</sup> Shimizu, Davila, A., Foster, G., He, X., & Shimizu, C. (2015, February 1). *The Rise and Fall of Startups: Creation and Destruction of Revenue and Jobs by Young Companies*. Stanford Graduate School of Business. <https://www.gsb.stanford.edu/faculty-research/publications/rise-fall-startups-creation-destruction-revenue-jobs-young-companies>.

<sup>22</sup> Snook, S. A., Nohria, N., & Khurana, R. (2012). *The handbook for teaching leadership: knowing, doing, and being*. SAGE Publications.



There are at least four reasons for why poor maps are better than no maps<sup>23</sup>. Firstly, a static, object-oriented and accurate goal may be unrealistic in a rapidly shifting reality and in the overall flow of organizational life. Secondly, having a map is quite a practical tool in helping people calm down because they can now see (or imagine that they can see) even slightly further than the end of their nose. And thirdly, and especially pertinently in a startup ecosystem, acting fast – as Facebook’s famous slogan goes “[moving]fast and [breaking] things” – may be preferable to slower but marginally accurate reaction. Lastly, whether our actions are “accurate” or not, is invariably hard to confirm in most situations as what we eventually do, and how we eventually view the situation, will alter the nature of the situation and reality itself.

It is also, probably unrealistic to provide mid or long-term strategic maps in a startup environment. This is especially startups operating in the technology ecosystem, where actions are conditioned by myriad regulatory and research constraints that change as tempestuously as the weather can. The lack of longevity in the startup ecosystem is well known. In contrast, more established organizations have the certitude of longevity and strategy enough to plan product and hiring pipelines even years in advance, a luxury not known to their younger counterparts. For instance, Ancona’s insight into the three-year planning periods of Li & Fung Group, is that once-in-three-year plans remain unchanged once set. This is because it empowers the company by allowing them to direct their attentions to long-term results based on a “runway” realistic enough to “achieve significant stretch goals”.<sup>24</sup> Such long-term strategy plans are not uncommon and sound like a sensible idea. But in the lean start-up trope, the importance of experimentation and iterative design overelaborate plans and “traditional up-front development” takes precedence.<sup>25</sup> To quote Steve Blank in the Harvard Business Review: “No one besides venture capitalists and the Soviet Union requires five-year plans.”<sup>26</sup> More harshly, he suggests that they are invariably fictitious and that “dreaming” them up” is usually “a waste of time.”<sup>27</sup>

### 2.3. Limitations in Investor Oversight

Promising startups are often backed by a slew of storied investors – venture capitalists, for example, often set themselves apart by claiming an ability to offer not just financial capital but strategic insight and operational assistance to fledging startup teams in their ambitious plans for growth. Indeed, venture capitalists have strong legacies in providing critical leadership support during time of crisis. For instance, venture capital players are crucial in professionalizing startups<sup>28</sup>, structuring boards of directors<sup>29</sup>, and in

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<sup>23</sup> Snook, S. A., Nohria, N., & Khurana, R. (2012). *The handbook for teaching leadership: knowing, doing, and being*. SAGE Publications.

<sup>24</sup> Snook, S. A., Nohria, N., & Khurana, R. (2012). *The handbook for teaching leadership: knowing, doing, and being*. SAGE Publications.

<sup>25</sup> Harvard Business Review. (2018, February 9). *Why the Lean Start-Up Changes Everything*. Harvard Business Review. <https://hbr.org/2013/05/why-the-lean-start-up-changes-everything>.

<sup>26</sup> Harvard Business Review. (2018, February 9). *Why the Lean Start-Up Changes Everything*. Harvard Business Review. <https://hbr.org/2013/05/why-the-lean-start-up-changes-everything>.

<sup>27</sup> Harvard Business Review. (2018, February 9). *Why the Lean Start-Up Changes Everything*. Harvard Business Review. <https://hbr.org/2013/05/why-the-lean-start-up-changes-everything>.

<sup>28</sup> Hellmann, T. F., & Puri, M. (2000). Venture Capital and the Professionalization of Start-up Firms: Empirical Evidence. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.243149>

<sup>29</sup> Lerner, J. (1994). The Syndication of Venture Capital Investments. *Financial Management*, 23(3), 16. <https://doi.org/10.2307/3665618>

hiring external managers and directors<sup>30</sup>. Here, much of the additional value brought to the table arises from investors leading to improved governance and their active monitoring of portfolio companies to keep them on track<sup>31</sup> and not drunk on real or imagined success.

However, Pollman points out that venture capitalists are “repeat institutional players” in a market for investments that is highly predicated on reputation<sup>32</sup>. In the context of providing governance oversight and in taking leaders through the process, this can be a limitation even if potentially one that can be overcome with a close enough and exceptional relationship between investor and company. But more generally, one could argue that oftentimes, the layered relationships between investors and their portfolio companies can limit their ability to participate fully in the organizational health of a company. Because the relationship between startup leadership and venture capitalists is not a purely vertical principal-agent relationship, but both a vertical and horizontal one with overlapping roles and heterogeneous participants, their ability to provide valuable feedback and participate in the operational execution of adaptive changes may be limited. For instance, investors might be incentivized to adopt unjustifiably founder-friendly stances “particularly among the highest echelon of startups”, in order to gain access in later funding rounds and establish a reputation amongst would-be founders.

On the other hand, because investors are primarily invested in for-profit entities for the sake of financial or strategic returns, less forgiving stances towards leadership mishaps and disclosures of weakness might be taken due to their investment mandates. These constraints arise due to the structure of a financial relationship that is contingent on the attainment of pre-determined outcomes and is tied to specific relational outcomes in contract.

What this means is that even though venture capitalists have immense potential to add value to startup leadership and managerial practices – especially amongst industry practitioners turned investors themselves, who have witnessed and are technically and emotionally sensitive to the ups and downs of operations within a sector – investors can only help so much. Startups, and their leaders, do need to do a degree of growing up by themselves.

#### **2.4. Frothy Water Circumstances**

Because of the aspirational nature of their business models and the lean nature of many startup teams, startups are more susceptible to financial and business changes than most corporates would be. In turn, they also churn the waves to survive. Altogether, this generates a greater tendency to “froth the water” in their business and financial circumstances with the eventual goal of reaching a greater modicum of stability as the company matures.

For instance, pivots in a startup can mean shifting focus from one customer group (e.g. Business-to-Consumer to Business-to-Business) to another, or radical shifts to product strategy or even in industry entirely. Weakness here comes in the charting of an unfamiliar terrain, perhaps one that competitors or hawkish investors are more familiar with. A decision to trek into this territory thus comes with the

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<sup>30</sup> Amornsiripanitch, N., Gompers, P. A., & Xuan, Y. (2015). More than Money: Venture Capitalists on Boards. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.2586592>

<sup>31</sup> Gompers, P., Gornall, W., Kaplan, S. N., & Strebulaev, I. A. (2016, September 1). *How Do Venture Capitalists Make Decisions?* NBER. <https://www.nber.org/papers/w22587>.

<sup>32</sup> *The Power of the Elastic Product Team - Airbnb's First PM on How to Build Your Own*. First Round Review. (n.d.). <https://review.firstround.com/the-power-of-the-elastic-product-team-airbnbs-first-pm-on-how-to-build-your-own>.

disadvantage of being unknown to these waters. There is also an attachment to previous product and business development strategy which requires very muscular attempts at detaching from. Rationally, we are familiar with the concept of sunk cost: the idea that past costs should have limited to no rational bearing on the decisions we make in the present. However, a failure to be ruthless can limit pivot decisiveness. Interviews of over 80 startups carried out by Failory suggest that on average, startups that carry out one to two pivots experience 3.6 times better user growth, and raise 2.5 times more money than their peers.<sup>33</sup> However, startups that never pivot, or pivot over two times, perform “considerably worse.”<sup>34</sup>

Pivots can also be reframed as an expansion of a company’s product vision into newer or more promising waters. For instance, Facebook started out as a simple college-based networking tool, but has since slowly expanded their vision as they achieve specific outcomes along the way, leading to the development of its current, broader vision of connecting the world meaningfully.<sup>35</sup>

Aside from business pivots, financial exigencies can also plague the stability of startups to grow in an unperturbed manner. Financial crises are also part and parcel of the startup life. The irony is that founders often have to add a gloss of certainty to financial projections when pitching for investments or even in recruiting star talent. Conventional wisdom, for example, suggests that business plans contain at least three to five-year projections of financial statements, with an underlying assumptions that enough unknowns and sensitivities can be identified and parametrized in advance. No sound investor would assume that such projections represent a certainty, of course – the nature of venture capital into early stage startups, regardless of investment theses, involves a high amount of risk. Still, record-breaking amounts of capital have been raised with startup valuations hitting billion-dollar marks. For startups with high valuations, oscillations between feast and famine when investors become bearish, or when their markets sour, can present an environment of instability that is itself part of the financial crisis, beyond the numbers.

Handling financial crises in a startup can also be complicated because of the unique nature of startup governance. This differs from that of publicly listed companies or established private corporations. Because of the high risk – career stability and/or financial wise- involved in joining a startup, compensation for startup employees frequently involves the availability of stock options or economic interests in a firm. In addition, investors are often, simultaneously shareholders and board-seat holders or operational members of a firm, giving them dual status as principal and agent.<sup>36</sup> This is further complicated by the heterogeneity of shareholdings, with founders, employees, and investors possessing different type of stock with varied terms and a clear order of preference in political and economic rights. As Pollman suggests, such a capital structure can lead to divergences in “control, potential deal payouts, and post-exist opportunities”, with preferred and common shareholders having different interests vis-à-vis each other and even between themselves.<sup>37</sup> Such vertical and horizontal tensions can increase as a startup grows and its capital structure becomes increasingly complicated.

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<sup>33</sup> Failory. (2021, March 30). *Startup Failure Rate: Ultimate Report + Infographic [2021]*. RSS. <https://www.failory.com/blog/startup-failure-rate>.

<sup>34</sup> Failory. (2021, March 30). *Startup Failure Rate: Ultimate Report + Infographic [2021]*. RSS. <https://www.failory.com/blog/startup-failure-rate>.

<sup>35</sup> *The Power of the Elastic Product Team - Airbnb's First PM on How to Build Your Own*. First Round Review. (n.d.). <https://review.firstround.com/the-power-of-the-elastic-product-team-airbnbs-first-pm-on-how-to-build-your-own>.

<sup>36</sup> Pollman, E. (2019). Startup Governance. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.3352203>

<sup>37</sup> Pollman, E. (2019). Startup Governance. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.3352203>

And yet, an increasingly complex capital structure can often be an inevitability, especially in the high-tech startup space, due to long periods of unprofitability that limit sustainable and internally financed growth. Instead, startups often need to seek new rounds of financing with different cadres of investors, simultaneous to hiring for new roles to furnish rapid growth, leading to an expansion in interests and participants within a financial structure.<sup>38</sup>

In addition, the simultaneous advent of economic or market crises together with a shrinking investor risk appetite can lead to sudden capital crunches in startups. On the funding side, it is estimated that following COVID-19, for instance, four out of every 10 startups had 3 or fewer months of capital runway.<sup>39</sup> This has been further worsened by disruptions to the fundraising process, with 18% and 54% of startups (with term sheets underway) having an investor cancel a funding round or have fundraising rounds delayed respectively<sup>40</sup>. Consequently, startups with average employees let go an estimated 33% of their workforce.<sup>41</sup> Demand does not make up for this shortfall in funding, with the worst hit sectors such as beauty/fashion and travel/tourism startups experiencing a 59% and 70% decline in revenues since the beginning of COVID-19 respectively. This is only but a window into one very specific example of a market disruption that churned the waves for the startup ecosystem, but it is certainly not unusual for market changes to shake up the lives of these younger companies in such a drastic way.

## 2.5 Hungry for Development

For all organizations, effective leadership is crucial. But this need for strong leadership is exceptionally important in small organizations.<sup>42</sup> In addition, startups can tend to employ younger and less experienced employees<sup>43</sup>, with lack of experience somewhat aggravated by a lower incidence of leadership substitutes in the form of “structures and routines” within a fast-paced startup environment.<sup>44</sup>

DeRue and Myers have defined leadership development as exercise of helping leaders and teams “effectively engage in leading-following interactions”.<sup>45</sup> In an organization with less established structure and which are extremely time-sensitive to small successes, startup leaders need to master these skills effectively to help their teams get their job done. In their exploration of the future of startup leadership development, Prommer, Tiberius, and Kraus suggest that most startups will start to utilize more diverse tools to begin leadership development training<sup>46</sup>, a sign of burgeoning interest. Such tools can include

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<sup>38</sup> Pollman, E. (2019). Startup Governance. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.3352203>

<sup>39</sup> Startup Genome. (2020, June 25). *The Global Startup Ecosystem Report 2020*. Startup Genome. <https://startupgenome.com/report/gser2020>.

<sup>40</sup> Startup Genome. (2020, June 25). *The Global Startup Ecosystem Report 2020*. Startup Genome. <https://startupgenome.com/report/gser2020>.

<sup>41</sup> Startup Genome. (2020, June 25). *The Global Startup Ecosystem Report 2020*. Startup Genome. <https://startupgenome.com/report/gser2020>.

<sup>42</sup> Cardon, M. S., & Stevens, C. E. (2004). Managing human resources in small organizations: What do we know? *Human Resource Management Review*, 14(3), 295–323. <https://doi.org/10.1016/j.hrmr.2004.06.001>

<sup>43</sup> Kempster, S., & Cope, J. (2010). Learning to lead in the entrepreneurial context. *International Journal of Entrepreneurial Behavior & Research*, 16(1), 5–34. <https://doi.org/10.1108/13552551011020054>

<sup>44</sup> Ensley, M. D., Hmieleski, K. M., & Pearce, C. L. (2006). The importance of vertical and shared leadership within new venture top management teams: Implications for the performance of startups. *The Leadership Quarterly*, 17(3), 217–231. <https://doi.org/10.1016/j.leaqua.2006.02.002>

<sup>45</sup> DeRue, D. S., & Myers, C. G. (2013). Leadership Development: A Review and Agenda for Future Research. *Oxford Handbooks Online*. <https://doi.org/10.1093/oxfordhb/9780199755615.013.040>

<sup>46</sup> Prommer, L., Tiberius, V., & Kraus, S. (2020). Exploring the future of startup leadership development. *Journal of Business Venturing Insights*, 14. <https://doi.org/10.1016/j.jbvi.2020.e00200>

“developmental job assignments”, coaching, and mentoring, among others. However, what is clear is that despite this myriad of methods, formal training will be less prominent in developing leadership abilities in startups than self-managed learning will. This tendency towards self-managed leadership learning is somewhat echoed by the innate tendencies of startup founders and leadership to take risk and direct their entrepreneurial behavior, thus mirroring their own learning styles and motivations.

During crisis periods, effective leadership and communication comes especially under the spotlight. Oftentimes, the novelty of sudden crises can demand such wide-ranging changes throughout an organization that leaders focus almost exclusively on implementing the brass tacks of change. Leaders can be tempted, in their task-orientation, to only see effective leadership as merely guiding a team through functional, performative tasks. This leaves their own and their team’s physical and emotional health by the wayside. This might lead to short-term attainment of functional goals at the expense of long-term team and company health. This is not an uncommon stance to take. According to Ariana Huffington, a Uber board member, startup investor, and CEO of Thrive Global, “the prevalent view” in Silicon Valley shared by startup founders is a “delusion” that burning out is a necessary precondition to building a successful high-growth company.<sup>47</sup> The research certainly seems to reflect this: according to research done by across 243 startup founders by Freeman, Staudenmaier, Zisser, and Andresen, entrepreneurs reported experiencing more depression (30%), substance abuse (12%), attention deficit hyperactive disorder (29%) and bipolar disorder (11%) compared to other study participants. In fact, 18% and 32% entrepreneurs reported experiencing three or more and two or more mental health disorders respectively.<sup>48</sup>

Investment practitioners have also shown a proven bias in heavy-weighting the role of leadership within an organization – especially in younger companies with less proven business models. Strong, or at least perceived to be strong, management teams certainly making startups more attractive to investors. In a study of 681 venture capital firms carried out by the National Bureau of Economic Research, 95% of firms cited the management team as the most important factor in selecting investments, ahead of business model (83%), product (74%), market (68%), and industry (31%).<sup>49</sup> This was especially the case for early-stage investors and information technology (IT) investors compared to late-stage and healthcare investors.<sup>50</sup> The same study also suggested that the management team was, by a large margin, the biggest determinant of a startup’s success and failure, with 96% and 92% of venture capitalists identifying this as the strongest factor ahead of timing, luck, technology, business model, and industry (56 to 67%).<sup>51</sup> In assessing the quality of a management team, investors looked to ability ahead of industry experience, passion, entrepreneurial experience, and teamwork.

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<sup>47</sup> Ramachandran, S., & Winkler, R. (2019, July 12). *Beyond the Confetti: The Dark Side of Startup Success*. The Wall Street Journal. <https://www.wsj.com/articles/beyond-the-confetti-the-dark-side-of-startup-success-11562923804>.

<sup>48</sup> Freeman, M. A., Staudenmaier, P. J., Zisser, M. R., & Andresen, L. A. (2018, May 11). *The prevalence and co-occurrence of psychiatric conditions among entrepreneurs and their families*. Small Business Economics. <https://link.springer.com/article/10.1007/s11187-018-0059-8#:~:text=Entrepreneurs%20reported%20experiencing%20more%20depression,or%20more%20mental%20health%20conditions>.

<sup>49</sup> Gompers, P., Gornall, W., Kaplan, S. N., & Strebulaev, I. A. (2016, September 1). *How Do Venture Capitalists Make Decisions?* NBER. <https://www.nber.org/papers/w22587>.

<sup>50</sup> Gompers, P., Gornall, W., Kaplan, S. N., & Strebulaev, I. A. (2016, September 1). *How Do Venture Capitalists Make Decisions?* NBER. <https://www.nber.org/papers/w22587>.

<sup>51</sup> Gompers, P., Gornall, W., Kaplan, S. N., & Strebulaev, I. A. (2016, September 1). *How Do Venture Capitalists Make Decisions?* NBER. <https://www.nber.org/papers/w22587>.

Clearly, better leaders make better companies, and younger startups and their investors do want and need better leaders. It is in light of this assumed desire for optimization that this paper looks specifically at how to best help leaders handle their vulnerabilities in front of their team during a startup's most demanding times.

## Chapter 3: Tensions between credibility and authenticity

Literature has suggested that revealing vulnerability in group social exchanges has immense potential to better group social exchanges. “Dropping the façade<sup>52</sup>”, it seems, can help generate a high-trust and high-purpose environment that is disentangled from the insecurities from every little microtask, that that could manifest from untrusting environments. But despite research suggesting the limited effectiveness of such, masking vulnerabilities within one’s own capabilities or within an organization seems to be a common modus operandi for leaders, who might hold the view that looking strong and certain always bears rewards.

Authenticity, on the other hand, can lead to one sharing honest, even if undeveloped and uncertain opinions on a situation. But on the other hand, the concept of unrestricted authenticity is unstructured and overrated, despite broad concepts of “being one’s authentic self” being increasingly venerated in popular media. Leaders need to be strategic in what and how much they reveal about vulnerabilities within themselves and within the organization. With the exception of criminally or ethically fraudulent subterfuge, strategic disclosure is important not just to achieve organizational goals, but also to take care of teammates and employees in an intentional way.

### 3.1. Authenticity

For the purposes of this paper, the focus is specifically on the relationship that startup teams have with their leader(s), not on the relationship that exists between team members, although the latter has been found to generate measurable and positive effects on team performance. Because of the unique context they are situated in, startup leaders seem inherently well-positioned and inclined towards demonstrating greater levels of authenticity than their peers in larger corporates. The flat nature of their team hierarchy, the “entrepreneurial DNA” (a quoted by an interviewee) of their desired employees, and the informal reporting structure of younger startups seems to give them some degree of permissibility to be more open than they would otherwise be. For instance, in a study of Fortune 200 and top startup chief executive officers’ public engagement and communication attempts on Twitter, Yue, Thelen, Robinson and Men found that although CEOs of Fortune 200 companies were more adept at “strategically tailoring messages” to present themselves in a “friendly manner”, CEOs of startups demonstrated “higher [levels] of authenticity, animation, and informality.”<sup>53</sup>

Part of the attraction of ‘startup culture’ lies in the emphasis that founders tend to put on equality, with these egalitarian cultures being able to galvanize employees and “encourage a free flow of ideas.”<sup>54</sup> For instance, AirBnB’s first product manager and Director of Product, Jonathan Golden, described the deemphasis on rank within the organization’s cross-functional teams resulting in everyone having the “same ownership of impact” even in different silos (e.g. engineering, data, marketing) suggesting that this

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<sup>52</sup> Galindo, B. (2018, June 27). *A Roadmap for Saving a Failing Startup Through Vulnerability*. Medium. <https://medium.com/swlh/a-roadmap-for-saving-a-failing-startup-through-vulnerability-69cbf3aff132>.

<sup>53</sup> Yue, C. A., Thelen, P., Robinson, K., & Men, L. R. (2019). How do CEOs communicate on Twitter? A comparative study between Fortune 200 companies and top startup companies. *Corporate Communications: An International Journal*, 24(3), 532–552. <https://doi.org/10.1108/ccij-03-2019-0031>

<sup>54</sup> Sanders, A. (2015, March 11). *How to Preserve a Startup Culture as a Company Grows*. Stanford Graduate School of Business. <https://www.gsb.stanford.edu/insights/how-preserve-startup-culture-company-grows>.

produced a team that operated “cohesively” rather than one directed by a single “totalitarian leader.”<sup>55</sup> This is especially attractive to younger employees – Generation Z participants – with McKinsey even expressing in a study that of the four core Generation Z behaviours they identified, they all were anchored in one key “search for truth”.<sup>56</sup>

A compulsion towards authenticity might want people to disclose each and every single one of their weaknesses due to the desire for co-workers to know the “real them”, reliving the self-verification theories posited by Swann, Stein-Serroussi, and Giesler.<sup>57</sup> Still, leaders need to be mindful that this does not invite oversharing: the conflation of a flat hierarchy and a culture of unabated communication that might exceed bounds of propriety in a professional setting. Creating a catalogue of fears and mistakes and eagerly going through them in front of their team members can backfire tremendously. At best, this might seem like a therapy session, albeit a very public one, and at worst, this can diminish confidence in a leader’s ability to guide a company through choppy waters. This narrow view of authenticity also fails to uncover the complexities of the term and its ability to act as stabilizing rather than mercurial force. In contrast, for instance, Walumbwa, Avolio, Gardner, Wernsing and Peterson view “authentic leadership” as frequent and repeatable instances of leadership behavior shown through “strong self-awareness, internalized high moral standards, balanced processing of information in ethical decision making, and transparency in interpersonal relationship cultivation”.<sup>58</sup>

An un-strategic attachment to authenticity can also lead to an unquestioned cult of personality. Much research has drawn the link between the success of entrepreneurial ventures and the unique personalities of their founders – a not unreasonable conclusion to draw, but one drawn heavily from outsized myths of successful ventures the likes of Elon Musk, Jeff Bezos, and Mark Zuckerberg. This might especially be so for entrepreneurs who did not undergo a formal business education – not a prerequisite for success by any means– and who are determinedly driven by a core north star or vision, or a “concept or passion” which directed their decision making over time.<sup>59</sup>

### 3.2. Interpersonal Credibility

In Shakespeare’s Julius Caesar, the man himself declaims that he is “...constant as the Northern Star.” In similar vein, leaders act as general compasses for where a team should move towards. Even while disclosing vulnerabilities, how can founders and other members of a startup’s leadership team keep the rest of the team par for course?

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<sup>55</sup> *The Power of the Elastic Product Team - Airbnb's First PM on How to Build Your Own*. First Round Review. (n.d.). <https://review.firstround.com/the-power-of-the-elastic-product-team-airbnbs-first-pm-on-how-to-build-your-own>.

<sup>56</sup> Francis, T., & Hoefel, F. (2020, December 16). *True Gen': Generation Z and its implications for companies*. McKinsey & Company. <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/true-generation-z-and-its-implications-for-companies>.

<sup>57</sup> Swann, W. B., Stein-Serroussi, A., & McNulty, S. E. (1992). Outcasts in a white-lie society: The enigmatic worlds of people with negative self-conceptions. *Journal of Personality and Social Psychology*, 62(4), 618–624. <https://doi.org/10.1037/0022-3514.62.4.618>

<sup>58</sup> Fred O. Walumbwa, B. J. A. (n.d.). *Authentic Leadership: Development and Validation of a Theory-Based Measure†* - Fred O. Walumbwa, Bruce J. Avolio, William L. Gardner, Tara S. Wernsing, Suzanne J. Peterson, 2008. SAGE Journals. <https://journals.sagepub.com/doi/10.1177/0149206307308913>.

<sup>59</sup> *Authenticity is Key Factor in Founders' Sustainable Startups*. Leeds School of Business. (2021, March 31). <https://www.colorado.edu/business/news/2021/01/05/authenticity-key-factor-founders-sustainable-startups>.



In the context of trust in leadership, this paper suggests that there are two kinds of credibility that needs to be maintained to counterbalance an expression of weakness – interpersonal and technical credibility. Interpersonal credibility is that understanding and trust is reasonably vested in a leader or person due to interpersonal qualities and the special nature of a relationship that both parties might share. Therefore, even if one discloses fractures in an organization or in one’s competence that could threaten the position of the information recipient, the latter believes that his best interests are still very much top of mind for decision makers.

The complicated nature of interpersonal credibility when it comes to disclosing vulnerabilities is further interlaced with industry-agnostic changes in the nature of the organizational social contract. Writing about his experience interviewing struggling executives in organizations going through massive periods of change and transition, Bunker suggests that “the old psychological agreement” which is predicated on an “exchange of hard work and loyalty for lifetime employment” has been at best, permanently undermined and violated, for example, as a necessary adjustment to a more competitive world.<sup>60</sup> Maintaining trust of one’s followers in an environment where employment turnover is the norm and value-free workplace relationships might become increasingly commonplace is a challenge that leaders need to grapple with.

### 3.3. Technical Credibility

The second form of credibility that needs to be maintained even after “authentic disclosures” of weakness is technical credibility – that even though one has a weakness that makes him or her not invulnerable to the uncertainties plaguing an organization, he or she still has the technical capability to execute on a vision. This is a necessary complement to interpersonal credibility and even outside of our professional lives, reflects the importance of both warmth and competence<sup>61</sup> in evaluating our personal relationships as well. As outlined in impression management literature, competence is, aside from warmth, a key determinant of perception, with subjects perceived to have higher competence if qualities such as being able, intelligent, creative, and confident<sup>62</sup> are signaled

Interestingly, even though it is key to maintain and enhance both forms of credibility, perceived technical can be compromised by interpersonal warmth. For example, displaying greater amounts of interpersonal warmth might diminish the ability of a leader to project technical competence as a status-holding leader. But the opposite possibility also holds true. For example, making a point of not disclosing weaknesses in technical competencies can result in perceptions of over self-aggrandization and promotion far beyond one’s capabilities and even at the expense of teammates, leading to diminished interpersonal credibility.

One determinant of technical credibility as a leader is dependent on the past performance of a teams. Staw finds that positive qualities of a leader are usually inferred from high levels of team performance, while

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<sup>60</sup> Bunker, K. A. (1997, January 1). *The power of vulnerability in contemporary leadership.*: Semantic Scholar. undefined.<https://www.semanticscholar.org/paper/The-power-of-vulnerability-in-contemporary-Bunker/98aea2909dd5134bc45174efd3f632c7c7fed92>

<sup>61</sup> Cuddy, A. J. C., Glick, P., & Beninger, A. (2011). The dynamics of warmth and competence judgments, and their outcomes in organizations. *Research in Organizational Behavior*, 31, 73–98. <https://doi.org/10.1016/j.riob.2011.10.004>

<sup>62</sup> Cuddy, A. J. C., Glick, P., & Beninger, A. (2011). The dynamics of warmth and competence judgments, and their outcomes in organizations. *Research in Organizational Behavior*, 31, 73–98. <https://doi.org/10.1016/j.riob.2011.10.004>

negative qualities of a leader are also, inferred from lower levels of team performance.<sup>63</sup> Lord and Maher suggest that this attribution arises because of the commonplace assumption that because a “major function” of leadership is to generate and attain performance outcomes, the successful completion of these outcomes can lead one to infer competent leadership ability.<sup>64</sup>

Importantly, the relationship is not unidirectional but multidirectional – in his study on NCAA basketball teams and their coaches, Dirks discovered that trust in a leader generates effects on team performance that are important theoretically as well in terms of generating performance outcomes. In his research, he identified that trust by a team of their coach was actually responsible for significant variance in performance, even as compared against a medley of other independent variables such as player tenure, team talent, the existence of a preconference, and so on.<sup>65</sup> In fact, Dirks found that although trust in one’s leader had substantial and significant effects on team performance, trust in one’s teammates was in fact not significant<sup>66</sup> after controlling for other variables, which reinforces the work of previous research.<sup>67</sup> Consequently, what Dirks terms to be “performance inertia<sup>68</sup>” – a spin off Newton’s Third Law in relation to poor-performing and top-performing teams generally carrying along the same trajectory as their past performance – is at least partially due to how past performance affects how teams view and trust their leader. This in turn generates a positive feedback loop, with teams proven to actually perform better when they do trust their leader.

### 3.4. Trust as a North Star

The foundation of any functional relationship is trust in some shared understanding. In the case of disclosing vulnerabilities during times of crisis, how leaders communicate these vulnerabilities need to be measured against trust as a lodestone – regardless of where and how the specific balance in disclosure is struck. Sabel suggests that when parties in an exchange trust each other, they are mutually confident that the other will not “exploit any adverse selection, moral hazard, hold-up or any other vulnerabilities<sup>69</sup>” that could occur in that exchange. But because the existence of trust is conditional on the exchange partner not engaging in directly exploitative activity of such information exchange, individuals can be considered trustworthy, while the existence of trust is an attribute of a relationship<sup>70</sup> between exchange partners.

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<sup>63</sup>Staw, B. M. (1975). Attribution of the “causes” of performance: A general alternative interpretation of cross-sectional research on organizations. *Organizational Behavior and Human Performance*, 13(3), 414–432. [https://doi.org/10.1016/0030-5073\(75\)90060-4](https://doi.org/10.1016/0030-5073(75)90060-4)

<sup>64</sup>Lord, R. G., & Maher, K. J. (2002). Leadership and Information Processing. <https://doi.org/10.4324/9780203423950>

<sup>65</sup>Dirks, K. T. (2000). Trust in leadership and team performance: Evidence from NCAA basketball. *Journal of Applied Psychology*, 85(6), 1004–1012. <https://doi.org/10.1037/0021-9010.85.6.1004>

<sup>66</sup>Dirks, K. T. (2000). Trust in leadership and team performance: Evidence from NCAA basketball. *Journal of Applied Psychology*, 85(6), 1004–1012. <https://doi.org/10.1037/0021-9010.85.6.1004>

<sup>67</sup>Konar-Goldband, E., Rice, R. W., & Monkarsh, W. (1979). Time-phased interrelationships of group atmosphere, group performance, and leader style. *Journal of Applied Psychology*, 64(4), 401–409. <https://doi.org/10.1037/0021-9010.64.4.401>

<sup>68</sup>Dirks, K. T. (2000). Trust in leadership and team performance: Evidence from NCAA basketball. *Journal of Applied Psychology*, 85(6), 1004–1012. <https://doi.org/10.1037/0021-9010.85.6.1004>

<sup>69</sup>Barney, J. B., & Hansen, M. H. (2006, November 9). *Trustworthiness as a Source of Competitive Advantage*. Wiley Online Library. <https://onlinelibrary.wiley.com/doi/pdf/10.1002/smj.4250150912>.

<sup>70</sup>Barney, J. B., & Hansen, M. H. (2006, November 9). *Trustworthiness as a Source of Competitive Advantage*. Wiley Online Library. <https://onlinelibrary.wiley.com/doi/pdf/10.1002/smj.4250150912>.

Trust is also crucial in the technical sense of the word, especially in the startup world, where outsized valuations and strongly aspirational goal-setting can lead to a misplaced sense of reality for founders and employees. As suggested by three-time founder, investor, and New York tech ecosystem advisor Jeff Wald, the outsized preeminence of decacorn and unicorns in framing what it means to be successful leads to people “[not] really [celebrating] success”, only “ultra-success”<sup>71</sup>. A lauding of “monetary outcomes to...an extreme degree” and a tendency to adulate those who do attain these overlarge financial returns means that falling short of this narrative leads to internal questioning within teams and within their own leaders on how competent.<sup>72</sup> This pressure to perform can be especially accentuated during high-water periods of company crisis, leading to risk of legal or financial malfeasance or murkier but no less problematic ethical failure. So one key mediating factor in how we distill information that is relevant or not is that regardless of any extrinsic or intrinsic motivations that determine the scope of what is shared, this has to fall within ethical and legal boundaries of information disclosure first.

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<sup>71</sup> *Founder Exposed: Opening Up About Startup Failures and Vulnerability*. First Round Review. (n.d.). <https://review.firstround.com/founder-exposed-opening-up-about-startup-failures-and-vulnerability>.

<sup>72</sup> *Founder Exposed: Opening Up About Startup Failures and Vulnerability*. First Round Review. (n.d.). <https://review.firstround.com/founder-exposed-opening-up-about-startup-failures-and-vulnerability>.

## Chapter 4: Communication Tools in Striking a Balance

### 4.1. Keeping the eye on the vision

Generally, a high purpose workplace can be valuable in overturning worrying trends in today's workplaces. For example, Gallup's State of the Global Workplace report in 2017<sup>73</sup> suggests that 85% of employees are not engaged or actively disengaged at work. In the context of a startup crisis, a disconnect that was raised by interviewees was that between the vision of a team or organization, as opposed to what was described as the "brutish nature of reality", especially thrown into sharp focus by sudden disruption in plans. This can endanger employees' ability to make sense of what their technical work contributes to the team, as well as their sense of self-worth. The loss of a vision can be more damaging to a startup than it can be to an established organization, because this welds a team together in the face of risk: as one interviewee put it, the loss of meaning in a startup reduces one to feeling "like a cog in a big machine...but with no job stability...might as well join a big organization (according to interviewees)." Being part a purpose makes an underdog feel less like an underdog and more like a hero in the waiting wings.

When decommissioning product management teams or reallocating human resources due to less than optimal results, for instance, Golden describes how he focuses on having a product vision "serve as a touchstone." This involves post-mortem reviews with a constant eye on the overall prize and an eye to future actionability by him bringing a team through the company's original "goal-setting framework...[to] identify where things went wrong or changed." In hunkering down on the mission of the organization, leaders look specifically at metrics and features that can inform future response, such as "strategy, goal, metrics, or resourcing." Even while delivering difficult news on reallocations or team decommissioning, an emphasis on vision-driven and measurable reflection helps to emphasize a "real culture of iteration" within management and employees down the line, helping teams come to terms on why estimates and expectations were off the mark. A culture of iteration that accepts failure head-on also leads to less fearful employees in taking on risks for a company, and minimizes a tendency to "point fingers."<sup>74</sup>

Aside from having a clear vision, leaders also need to overcommunicate this vision – much like legal justice, as much power lies in it being seen and heard – not just in actually being formed and carried out. Repeating oneself is not just permissible but encouraged, in order to constantly keep a team's eye on the ball, so to speak. This is also important if organizational changes resulting from a novel situation result in team members being reshuffled into new teams, or new employees or partners come on board the mission. Being able to "tell [new incomers] the history of how things evolved"<sup>75</sup> and provide crucial context into the vision of the company is key to keeping a team intact despite roiling change.

Interestingly, a study by McKinsey suggested that almost two-thirds of US employees surveyed believed that the Covid-19 crisis caused them to "reflect on their purpose in life"<sup>76</sup>, with millennials three times more

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<sup>73</sup> Gallup (2021, March 22). *State of the Global Workplace*. Gallup.com. <https://www.gallup.com/workplace/238079/state-global-workplace-2017.aspx>.

<sup>74</sup> *The Power of the Elastic Product Team - Airbnb's First PM on How to Build Your Own*. First Round Review. (n.d.). <https://review.firstround.com/the-power-of-the-elastic-product-team-airbnbs-first-pm-on-how-to-build-your-own>.

<sup>75</sup> *The Power of the Elastic Product Team - Airbnb's First PM on How to Build Your Own*. First Round Review. (n.d.). <https://review.firstround.com/the-power-of-the-elastic-product-team-airbnbs-first-pm-on-how-to-build-your-own>.

<sup>76</sup> Dhingra, N., Samo, A., Schaninger, B., & Schrimper, M. (2021, April 21). *Help your employees find purpose--or watch them leave*. McKinsey & Company. <https://www.mckinsey.com/business-functions/organization/our-insights/help-your-employees-find-purpose-or-watch-them-leave?cid=other-eml-shl-mip->

likely to say that they were “reevaluating [the kind of] work” they did.<sup>77</sup> This is particularly interesting given how much work takes up on our lives. The same study found that nearly 70% of employees surveyed felt that their sense of purpose was “defined by [their] work”<sup>78</sup>. Leaders, therefore, have a big role to play in giving value to their employees lives even outside of the business-driven considerations and company survival needs that good leadership can bring.

But there is a distinction between giving employees purpose and introducing yet “another corporate initiative”.<sup>79</sup> There can be considerable difficulty in distinguishing between valuable purpose-giving initiatives and corporate initiatives that only seek to soothe the consciences of detached upper management. Cringeworthy diabetes-inducing emails that are actively disconnected from employees’ experiences will only be fertile ground for skepticism and mistrust. Such disconnects between the leader and employee experience when it comes to a sense of corporate purpose need not necessarily be malignant or borne out of an intentional disdain to spend more resources on such internal activities, but rather, a fundamental disconnect between what the organization means to management versus what it realistically means to employees given the discrepancy in reward and decision-making influence (among others) that different ranks hold. This disconnect is well reflected in what McKinsey terms the “purpose hierarchy gap”. In their survey of executives and lower management employees, it was found that 85% executives and upper management did agree that they could “live their purpose” in their “day-to-day work”. But this dropped sharply for lower ranked frontline managers and frontline employees, with, conversely, 85% of these individuals disagreeing or being unsure about whether they could “live their purpose” in their everyday work. This was a nearly eight times difference – not an insignificant one by any count.

So, there are innate biases between leaders and their employees in terms how purposeful they are in their professional lives, although not necessarily how purposeful how they actually want to be. But organizations should not expect to be able to match what purposes seek from work without gathering permission, with the “operative” phrase being the need to earn access to information that employees desire to share with leaders<sup>80</sup>. Consequently, leaders need to be able to understand what their employees seek first before being able to meet these expectations.

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mck&hlkid=db2a846678eb436ab05b0fb3d0455047&hctky=12323067&hdpid=51293355-ce46-4eaf-b906-7e1d1b1f42b8.

<sup>77</sup> Dhingra, N., Samo, A., Schaninger, B., & Schrimper, M. (2021, April 21). *Help your employees find purpose--or watch them leave*. McKinsey & Company. <https://www.mckinsey.com/business-functions/organization/our-insights/help-your-employees-find-purpose-or-watch-them-leave?cid=other-eml-shl-mip-mck&hlkid=db2a846678eb436ab05b0fb3d0455047&hctky=12323067&hdpid=51293355-ce46-4eaf-b906-7e1d1b1f42b8>.

<sup>78</sup> Dhingra, N., Samo, A., Schaninger, B., & Schrimper, M. (2021, April 21). *Help your employees find purpose--or watch them leave*. McKinsey & Company. <https://www.mckinsey.com/business-functions/organization/our-insights/help-your-employees-find-purpose-or-watch-them-leave?cid=other-eml-shl-mip-mck&hlkid=db2a846678eb436ab05b0fb3d0455047&hctky=12323067&hdpid=51293355-ce46-4eaf-b906-7e1d1b1f42b8>.

<sup>79</sup> Dhingra, N., Samo, A., Schaninger, B., & Schrimper, M. (2021, April 21). *Help your employees find purpose--or watch them leave*. McKinsey & Company. <https://www.mckinsey.com/business-functions/organization/our-insights/help-your-employees-find-purpose-or-watch-them-leave?cid=other-eml-shl-mip-mck&hlkid=db2a846678eb436ab05b0fb3d0455047&hctky=12323067&hdpid=51293355-ce46-4eaf-b906-7e1d1b1f42b8>.

<sup>80</sup> Dhingra, N., Samo, A., Schaninger, B., & Schrimper, M. (2021, April 21). *Help your employees find purpose--or watch them leave*. McKinsey & Company. <https://www.mckinsey.com/business-functions/organization/our-insights/help-your-employees-find-purpose-or-watch-them-leave?cid=other-eml-shl-mip-mck&hlkid=db2a846678eb436ab05b0fb3d0455047&hctky=12323067&hdpid=51293355-ce46-4eaf-b906-7e1d1b1f42b8>.

## 4.2. Storytelling the story of a Weakness

Storytelling was also identified by interviewees to be an important tool to bridging various disconnects that may arise because of rapid change. In periods of change, various disconnects can erupt within an organization – even if not visible at the outset. For the purposes of this paper, the most obvious disconnect would seem to be between leadership and lower-ranked members of a team.

The seemingly inevitable ramifications of disruption can also be turned on its head, should leaders be able to draw upon our natural bias for certainty by generating fresh and meaningful stories of a situation. Further, regardless of whether justified or not, the romance of leadership as a theory suggests that our “fundamental desire...to reduce and translate [the cognitive and moral complexities of organized activity]” helps make leadership a comprehensible and stabilizing force quite attractive in the face of the uncertainty associated with a crisis. As suggested by Meindl in his own words when discussing the romanticization of leadership: “The faithful belief in leadership is itself beneficial in providing a sense of comfort and security, in reducing feelings of uncertainty, and in providing a sense of human agency and control.”<sup>81</sup>

Storytelling can draw a team together during times of change by reminding them of their shared vulnerabilities, experiences, and goals – evoking the terminology of family and friendship even in a workplace setting. The terminology of being a “family” is interesting because it recurs often in both large, major organizations and in less well-established startups as an ideal to aspire to. There is therefore an implicit assumption that transcending the plain tasks of workplace life is desired on some level to create some greater good (be they in terms of emotional health, recruiting prospects, or bottom line performance for the company). In AT&T, for example, Bunker reminisces of employees “[speaking] fondly of being a family” despite their huge headcount<sup>82</sup>. A difference is in the movement away from the concept of “family” being an enduring generational legacy, with multiple generations of family members expected to invest and commitment significant, if not the most portions of their lifetime to an established parent organization – for startups, each day comes with new perils, and the very notion of lasting multiple generations would seem to go against the very definition of what it means to be a fledging company in its initial throes of birth.

Aside from drawing a team together as a family, storytelling can imbue an organization with a sense of inspired leadership. In discussing romanticized notions of leadership, Meindl theorizes that this “romance and mystery” is a critical contributor to the responsiveness of team members to the needs and goals of the organization, with “romanticizing leadership” perhaps being even “fundamentally necessary” to keep teams dedicated to the task and willing to make sacrifices for the organization.”<sup>83</sup> For startups seeking an acquisition, storytelling may help with media presence when it comes to more pecuniary matters. Research by Hayward and Hambrick, for instance, has identified that when a chief executive officer receives greater praise in the media, the larger the premium is paid for an acquisition of that same firm.<sup>84</sup> To be specific,

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<sup>81</sup> Meindl, J. R., & Becker, B. (2004). The romance of teams: Is the honeymoon over? *Journal of Occupational and Organizational Psychology*, 77(4), 463–466. <https://doi.org/10.1348/0963179042596513>

<sup>82</sup> Bunker, K. A. (1997, January 1). *The power of vulnerability in contemporary leadership.: Semantic Scholar*. undefined. <https://www.semanticscholar.org/paper/The-power-of-vulnerability-in-contemporary-Bunker/98aea2909dd5134bc45174efd3f632c7c7fef92>.

<sup>83</sup> Bligh, M. C., Kohles, J. C., & Pillai, R. (2011). Romancing leadership: Past, present, and future. *The Leadership Quarterly*, 22(6), 1058–1077. <https://doi.org/10.1016/j.leaqua.2011.09.003>

<sup>84</sup> Hayward, M. L., & Hambrick, D. C. (1997). Explaining the Premiums Paid for Large Acquisitions: Evidence of CEO Hubris. *Administrative Science Quarterly*, 42(1), 103. <https://doi.org/10.2307/2393810>

every highly favorable article about a chief executive officer results in an average 4.8% increase in the premium paid for their organization.<sup>85</sup>

How does one create a story? One simple way in which a story can be told is to give the crisis a label – an opportunity, or some more creative variant of a label that is an optimistic approximation of the situation. Identifying such crisis as an opportunity to further develop or challenge a team, can lead to greater actionability in teammates. For instance, Dutton and Jackson propose that the simple act of categorizing and labelling a disruptive change as an opportunity generates meaning. In turn, their research suggests that communicating the existence of meaning will be likelier to lead to greater consensus-building and consequently organizational action.<sup>86</sup> In particular, labelling crises as “opportunities” might be helpful in triggering high-learning orientation within teams. This helps teams contemplate a greater variety of proposals to supplement their own mental models, which can increase their individual task learning. This will consequently, enable them to perform better to later tasks which are similar in nature, indeed “learning from the opportunity” which they themselves validate.<sup>87</sup> This should not be seen as permission to spin a fine web of pumped-up half-truths. Rather, storytelling should be genuine and be crafted with a heavy dose of practical acuity on the part of the crafter, in order to avoid treading a fine line between being deceptive and being inspirational.

After deciding on a narrative, one should also choose an effective label to accompany an authentic disclosure. One way to create an effective label is by emphasizing both the past and present aspects of the organization or team’s place within the world – namely, what Combe and Carrington call form of “sensemaking within a temporal dimension”<sup>88</sup>. Weick suggests that this kind of sensemaking can be retrospective. But in the context of crisis resolution, “prospective, future-oriented”<sup>89</sup> sensemaking can be very useful, because leaders can make “presumptions about the future”<sup>90</sup>. For instance, labelling a story as being one of an “inflection point” or “stretch point” can direct teammates towards seeing this as their chance to make a real difference in the future of an organization which they are an integral part of. This adds a layer of meaning<sup>91</sup> that can be valuable to their audience.

Practically, crises can indeed spur the potential of startups to alleviate the social consequences of a large exogenous crisis<sup>92</sup> that can have led to impacts on a far broader scale than previously imagined. Startups

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<sup>85</sup>Hayward, M. L., & Hambrick, D. C. (1997). Explaining the Premiums Paid for Large Acquisitions: Evidence of CEO Hubris. *Administrative Science Quarterly*, 42(1), 103. <https://doi.org/10.2307/2393810>

<sup>86</sup>Dutton, J. E., & Jackson, S. E. (1987). Categorizing Strategic Issues: Links to Organizational Action. *The Academy of Management Review*, 12(1), 76. <https://doi.org/10.2307/257995>

<sup>87</sup>Huber, G. P., & Lewis, K. (2010). Cross-Understanding: Implications for Group Cognition and Performance. *Academy of Management Review*, 35(1), 6–26. <https://doi.org/10.5465/amr.35.1.zok6>

<sup>88</sup>Combe, I. A., & Carrington, D. J. (2015, April 7). *Leaders' sensemaking under crises: Emerging cognitive consensus over time within management teams*. *The Leadership Quarterly*. <https://www.sciencedirect.com/science/article/pii/S1048984315000363#bb0465>.

<sup>89</sup>Weick, K. E., Sutcliffe, K. M., & Obstfeld, D. (2005). Organizing and the Process of Sensemaking. *Organization Science*, 16(4), 409–421. <https://doi.org/10.1287/orsc.1050.0133>

<sup>90</sup>Weick, K. E., Sutcliffe, K. M., & Obstfeld, D. (2005). Organizing and the Process of Sensemaking. *Organization Science*, 16(4), 409–421. <https://doi.org/10.1287/orsc.1050.0133>

<sup>91</sup>Smircich, L., & Morgan, G. (1982). Leadership: The Management of Meaning. *The Journal of Applied Behavioral Science*, 18(3), 257–273. <https://doi.org/10.1177/002188638201800303>

<sup>92</sup>Bapuji, H., de Bakker, F. G., Brown, J. A., Higgins, C., Rehbein, K., & Spicer, A. (2020). Business and Society Research in Times of the Corona Crisis. *Business & Society*, 59(6), 1067–1078. <https://doi.org/10.1177/0007650320921172>

can also draw on their very real contributions in this regard to label and craft their story for internal messaging and motivational purposes.

For instance, aside from startups' ability to generate economic activity or fill in unemployment gaps, they can also assist in meeting resource voids.<sup>93</sup> For instance, Scheniden et al looks at how the Covid-19 crisis, although a primarily medical crisis, also generated a gap in social innovation owing to extensive physical distancing needs that preventing social interaction<sup>94</sup>. The existence of crisis constraints -- such as sudden modifications to social needs owing to less out-of-house activities, and the need for new forms of digital brokerage and digitized services due to the need for spatial proximity while ensuring distance (e.g. between differently vulnerable populations) – could consequently drive digital social innovation.<sup>95</sup> Improvised venturing, rapid pivoting, and pro-social product extensions were therefore modes of social innovation that resulted.<sup>96</sup> Consequently, Scheidgen proposes that crises might not be exclusively conceived as generating pivots to ensure business survival, but also triggers that “initiate a shift in organizational purpose” towards an “explicit focus on tackling social challenges”<sup>97</sup>. In fact, although they did confirm that pro-social motivations were strong impulses for social entrepreneurship in some groups, meaningful groups of entrepreneurs who embarked on their startups with “predominantly commercial motives” might consequently become involved in the social entrepreneurship space to due to exogenous pressures and crises.<sup>98</sup>

### 4.3. Speed matters

A deceptively simple but crucial learning extracted from interviewees was that: speed mattered, in timing communications to employees and team members about how leadership was positioned to respond to a situation. This is even in cases where leaders are unsure of what to do themselves – which is where a key crux of vulnerability lies. Rumors or third-party sources providing true, or untrue information on the nature and source of weaknesses, might break trust irreversibly or at best poison the well. A prompt response to uncertainty also offers a sense of taking charge, providing a lodestone for employees to look to and minimizing the effects of an indeterminate uncertainty from deepening.

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<sup>93</sup> Linnenluecke, M. K., & McKnight, B. (2017). Community resilience to natural disasters: the role of disaster entrepreneurship. *Journal of Enterprising Communities: People and Places in the Global Economy*, 11(1), 166–185. <https://doi.org/10.1108/jec-01-2015-0005>

<sup>94</sup> Scheidgen, K., Gümüşay, A. A., Günzel-Jensen, F., Krlev, G., & Wolf, M. (2021). Crises and entrepreneurial opportunities: Digital social innovation in response to physical distancing. *Journal of Business Venturing Insights*, 15. <https://doi.org/10.1016/j.jbvi.2020.e00222>

<sup>95</sup> Scheidgen, K., Gümüşay, A. A., Günzel-Jensen, F., Krlev, G., & Wolf, M. (2021). Crises and entrepreneurial opportunities: Digital social innovation in response to physical distancing. *Journal of Business Venturing Insights*, 15. <https://doi.org/10.1016/j.jbvi.2020.e00222>

<sup>96</sup> Scheidgen, K., Gümüşay, A. A., Günzel-Jensen, F., Krlev, G., & Wolf, M. (2021). Crises and entrepreneurial opportunities: Digital social innovation in response to physical distancing. *Journal of Business Venturing Insights*, 15. <https://doi.org/10.1016/j.jbvi.2020.e00222>

<sup>97</sup> Scheidgen, K., Gümüşay, A. A., Günzel-Jensen, F., Krlev, G., & Wolf, M. (2021). Crises and entrepreneurial opportunities: Digital social innovation in response to physical distancing. *Journal of Business Venturing Insights*, 15. <https://doi.org/10.1016/j.jbvi.2020.e00222>

<sup>98</sup> Scheidgen, K., Gümüşay, A. A., Günzel-Jensen, F., Krlev, G., & Wolf, M. (2021). Crises and entrepreneurial opportunities: Digital social innovation in response to physical distancing. *Journal of Business Venturing Insights*, 15. <https://doi.org/10.1016/j.jbvi.2020.e00222>



Following WeWork’s disastrous fall from glory as a pre-IPO unicorn owing to, among others, a shaky business plan and poor leadership, new management took over the startup’s business operations and remaining team. Advice from Hadley Wilkins, former head of marketing from venture capital firm Redpoint Ventures suggested that even despite such turmoil, it was best for the startup’s new management team to “commit to communicating early and often about what [is] next”, with a bent to being “brutally honest and transparent to employees” – “even as things are being figured out in real-time.”<sup>99</sup> Indeed, Argenti echoes this in suggesting that an “ostrich with its head-in-the sand approach” will not work in these situations, because this generates an unproductive market for speculation to flourish.

Another practical tool that can help to increase the speed and accuracy of decision-making is building a data analytics platform to gather and analyze data on the facts. As suggested by Jerry DiMaso, chief executive officer and co-founder of Knarr Analytics, this helps conserve resources and time, increase team productivity. For the purposes of keeping a team intact, this helps to “put employees at ease” by being demonstrably led by “educated and responsive” individuals<sup>100</sup>, who have some sense of direction and can make “informed decisions much faster and based on factors...not gut instinct”. The ability to make rational decisions not outweighed by the pressures of a situation might be a decisive advantage during volatile times.

Even before a situation actuates into a full-blown crisis, being able to disclose vulnerabilities can be helpful in creating a sense of readiness if this is done ahead of time. A sense of readiness itself can be very useful in softening the blow of a crisis, but can often only be generated once weakness and threat materialize in a concrete and real form – for example, by intentional disclosure of foundational issues that need immediate shoring up upon to prevent collapse, spurring a sense of urgency.

It is true that the slings and arrows of environmental circumstance cannot be predicted in advance: part of the novelty of many crises is how unexpected they are. However, it is entirely possible to provoke and nurture processes that are structurally embedded within an organization to contain such explosion. For instance, startup leaders suggested that one best practice in maintaining a culture of constant readiness in “future-proofing” a business for a sustained period of uncertainty was to set up daily leading indicators reporting to enable teams to “adjust [their] decisions based on the most current data at the time”<sup>101</sup>. Accountability in keeping up-to-date with and following daily news closely can also be incentivized. In addition, where meeting participants are department or team representatives who are not themselves involved in executing each task they are speaking on, another layer of delegation or reporting back needs to be considered in order to ensure that they are “managing all the follow ups.”<sup>102</sup>

While the above measures may be helpful in creating a sense of technical readiness, emotional readiness is also key for employees. This involves leaders being upfront about vulnerability they may face in not

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<sup>99</sup> Provoke Media. (2020, January 27). Crisis Review: The Top 20 Crises Of 2019 (Part 2 Of 3). PProvoke. [https://www.provokemedia.com/long-reads/article/crisis-review-the-top-20-crises-of-2019-\(part-2-of-3\)](https://www.provokemedia.com/long-reads/article/crisis-review-the-top-20-crises-of-2019-(part-2-of-3)).

<sup>100</sup> StartupNation. (2020, December 21). *15 Business Leaders Share Their Experiences and Insights on Getting Through COVID-19*. StartupNation. <https://startupnation.com/manage-your-business/business-leaders-through-covid-19/>.

<sup>101</sup> Soper, T. (2020, March 31). *GeekWire 200 startup leaders share leadership advice on navigating the COVID-19 crisis*. GeekWire. <https://www.geekwire.com/2020/geekwire-200-startup-leaders-share-leadership-advice-navigating-covid-19-crisis/>.

<sup>102</sup> *Finding Startup Ideas and Building in Heavily-Regulated Spaces - Lessons from Cash App & Carbon Health*. First Round Review. (n.d.). <https://review.firstround.com/finding-startup-ideas-and-building-in-heavily-regulated-spaces-lessons-from-cash-app-and-carbon-health>.

knowing whether or not they will take actions that will directly impact the nature or terms of team members' status in a firm. Although the desire to hold back potential bad news, or actual bad news, may be strong, leaders should refrain from "sugarcoating"<sup>103</sup> news that might not be well received. While sugarcoating news might be a temporary anesthetic, should the worst materialize, a leader might "come across as a liar or...not in touch" to previous and remaining employees. Having the truth emerge in "drips and drabs"<sup>104</sup> – even if management had previously been unable to confirm the nature of specific status-affecting actions – trust can be destroyed. So, leaders are practically unable to disclose what they do know of a crisis and how it can impact livelihoods, laying out that option is integral, as long as this is within legal bounds and does not contravene the scope of managers' and directors' duties to act in the best interests of the company.

#### 4.4. Self-disclosure of personal suffering

There is a special type of vulnerability that is entirely personal but seeps into almost every aspect of our professional and otherwise lives. This can be especially true for startup leaders, who are extremely exposed to the feasts and famines of their own startups. But aside from disclosure of workplace and structural vulnerabilities, how far can individual leaders go to disclose their emotional sufferings? Where is the line between unhelpful and helpful transparency and disclosure.

Founders can face serious internal turmoil during high-stress and high-uncertainty situations themselves – just because they are called upon to marshal a team does not mean they are immune to internal discomfort with their abilities or the outlook ahead. This "tower of self-doubt...looms large,"<sup>105</sup> counting not just present difficulties but a "stack of hidden defeats, setbacks, and feelings of inadequacy" from historical experiences in spite of "valiant attempts to shore up the base."<sup>106</sup> Although failure can be common, and indeed is often supported by success stories and platitudes such as Facebook's famous motto "move fast and break things" and "celebrating failure", present vulnerabilities are difficult to frame and share. Indeed, weaknesses that are not yet past and "wrapped in platitudes or buttressed with follow-on successes"<sup>107</sup> are rarely publicized. In fact, even the act of self-disclosure can bring about positive internal effects on an individual as this liberates the cognitive resources they would need to spend to keep such information under wraps, leading to a sense of relief and energy.<sup>108</sup> Consequently, this might lead to better performance and internal security.

However, this is not necessarily an unqualified good. One can draw a parallel to the work done by Finel and Lord in handling international crises, where they identify two possible "logics of transparency"<sup>109</sup> which are positive and negative in turn. Their definition of transparency here relates very precisely to the field of

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<sup>103</sup> *How to Talk to Your Team When the Future Is Uncertain*. Harvard Business Review. (2021, February 1). <https://hbr.org/2020/04/how-to-talk-to-your-team-when-the-future-is-uncertain>.

<sup>104</sup> *How to Talk to Your Team When the Future Is Uncertain*. Harvard Business Review. (2021, February 1). <https://hbr.org/2020/04/how-to-talk-to-your-team-when-the-future-is-uncertain>.

<sup>105</sup> *Founder Exposed: Opening Up About Startup Failures and Vulnerability*. First Round Review. (n.d.). <https://review.firstround.com/founder-exposed-opening-up-about-startup-failures-and-vulnerability>.

<sup>106</sup> <https://review.firstround.com/founder-exposed-opening-up-about-startup-failures-and-vulnerability>

<sup>107</sup> *Founder Exposed: Opening Up About Startup Failures and Vulnerability*. First Round Review. (n.d.). <https://review.firstround.com/founder-exposed-opening-up-about-startup-failures-and-vulnerability>.

<sup>108</sup> Ragins, B. R. (2008). Disclosure Disconnects: Antecedents and Consequences of Disclosing Invisible Stigmas across Life Domains. *Academy of Management Review*, 33(1), 194–215. <https://doi.org/10.5465/amr.2008.27752724>

<sup>109</sup> Finel, B. I., & Lord, K. M. (2000). The Surprising Logic of Transparency. *Power and Conflict in the Age of Transparency*, 137–179. [https://doi.org/10.1007/978-1-349-38594-2\\_7](https://doi.org/10.1007/978-1-349-38594-2_7)

geopolitics and relates to legal, political and institutional structures that make objective information about the government available to actors (both inside and outside a domestic system). Specifically, the negative logic of transparency in such international state-based decision making and crises is particularly interesting, with transparency viewed as “exacerbating crises by overwhelming diplomatic signals with the noise of domestic politics...confusing opponents about which domestic voices are authoritative expressions of state policy.” Consequently, Lord and Finkel conclude that in least in this arena, the “sheer volume of information<sup>110</sup>” makes transparency not only unhelpful but potentially undermining efforts at conflict resolution. The reason why the negative logic of transparency as outlined above persists, arises because of four dynamics: (1) difficulty distinguishing signals from noise<sup>111</sup> (2) more information generates more “ammunition to justify preexisting preferences” (3) systematic biases in (international) communication overemphasizing hostile signals at the expense of conciliatory messages (4) uncontrolled information flows compromising negotiations.

What is considered appropriate self-disclosure and inappropriate self-disclosure of personal suffering also has a temporal dimension to it, with younger workers seeing the disclosure of personal issues as apposite and “acceptable to discuss” with co-workers.<sup>112</sup> This is interesting, especially considering the abundance of younger workers entering the startup space. A study by LinkedIn and CensusWide on 11,5000 professionals in 2014, for instance, also echoed this finding, showing that 67% of millennials were willing to offer previously taboo details about their personal lives – such as family and relationship issues – with their coworkers<sup>113</sup>. The nature of what is considered an inappropriate or appropriate self-disclosure statement can also change depending on the recipient – with one participant thinking nothing of a statement while the other thinks otherwise. Overall, where the line is drawn is not static and needs to be customized to the situation.

Regardless of where the balance is struck, however, one thing that can be agreed upon is that transparency is not necessarily an unchecked positive force on the internal workings of teams, despite the slew of benefits discussed above. The impulse to disclose each and every bit of our private lives runs in parallel with the increased dissolution of the line between work and personal life<sup>114</sup>. On one hand, this can be good, as this can increase the likelihood of self-disclosure of importantly, meaningful, personal information, between co-workers. In fact, some research does suggest that self-disclosure is a key determinant of high-quality workplace relationships<sup>115</sup>, especially because the sharing or exchange of personal information can generate

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<sup>110</sup> Finel, B. I., & Lord, K. M. (2000). The Surprising Logic of Transparency. *Power and Conflict in the Age of Transparency*, 137–179. [https://doi.org/10.1007/978-1-349-38594-2\\_7](https://doi.org/10.1007/978-1-349-38594-2_7)

<sup>111</sup> Pogue, F. C., & Wohlstetter, R. (1962). Pearl Harbor: Warning and Decision. *Military Affairs*, 26(4), 179. <https://doi.org/10.2307/1985614>

<sup>112</sup> Gibson, K. R., Harari, D., & Marr, J. C. (2018). When sharing hurts: How and why self-disclosing weakness undermines the task-oriented relationships of higher status disclosers. *Organizational Behavior and Human Decision Processes*, 144, 25–43. <https://doi.org/10.1016/j.obhdp.2017.09.001>

<sup>113</sup> LinkedIn and Census Wide (2014) *Relationships @ Work*. SlideShare. <https://www.slideshare.net/linkedin/relationships-work>.

<sup>114</sup> Ashforth, B. E., Kreiner, G. E., & Fugate, M. (2000). All in a Day'S Work: Boundaries and Micro Role Transitions. *Academy of Management Review*, 25(3), 472–491. <https://doi.org/10.5465/amr.2000.3363315>

<sup>115</sup> Stephens, J. P., Heaphy, E., & Dutton, J. E. (2011). High-quality Connections. *Oxford Handbooks Online*. <https://doi.org/10.1093/oxfordhb/9780199734610.013.0029>

positive affection and closeness between organizational teams, generating better organizational outcomes.<sup>116</sup>

On one hand, this can lead to positive outcomes, because the offering of vulnerability via self-disclosure helps to promote feelings of like and closeness, which has consequences upon team performance<sup>117</sup>, organizational citizenship behaviors,<sup>118</sup> and turnover. However, this is not always a force for good. Numerous cognitive processes, for example, can result in misperceptions where information provided is either too voluminous or too complex to process<sup>119</sup>. Transparency alone is a value-free word that does not necessarily “merely illuminate accurate or helpful information.”<sup>120</sup> In addition, where the goal is paramount or where individuals can be particularly task-oriented, disclosure of personal information can be repugnant or unproductive. While it might lead to an enhancement in positive affection and the deepen the quality of relationships, it can also transform relationships and limit the achievement of prior goals. In task-oriented relationships, for instance, individuals might seek out hierarchical and status-differentiated relationships due to their ability to facilitate greater coordination – a process that might be disrupted by un-strategic self-disclosure.

This is especially important for startup leaders due to their status within an organization, which complicates the minefield of considerations that they need to navigate before making a decision to share or not. Gibson et al, for instance, carried out a study to understand how self disclosure about weakness affected higher versus peer status co-worker situations by looking at the quality and effectiveness of task-oriented relationships.<sup>121</sup> They suggest that the vulnerability signaled by one signaled weakness, which therefore evoking different reactions from the disclosure’s recipient depending on the status of the one disclosing.<sup>122</sup> Rather unencouragingly, their studies suggest that although self-disclosure between peer status co-workers does not affect the perceived status between both, disclosure of weakness by higher status co-workers undermines the latter’s ability to influence the recipient in a conflict-free manner, alongside a loss of status at work.<sup>123</sup> This can result in lower organizational performance due to the loss or diminished efficacy of

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<sup>116</sup> Harrison, D. A., Price, K. H., Gavin, J. H., & Florey, A. T. (2002). Time, Teams, and Task Performance: Changing Effects of Surface- and Deep-Level Diversity on Group Functioning. *Academy of Management Journal*, 45(5), 1029–1045. <https://doi.org/10.5465/3069328>

<sup>117</sup> Harrison, D. A., Price, K. H., Gavin, J. H., & Florey, A. T. (2002). Time, Teams, and Task Performance: Changing Effects of Surface- and Deep-Level Diversity on Group Functioning. *Academy of Management Journal*, 45(5), 1029–1045. <https://doi.org/10.5465/3069328>

<sup>118</sup> Podsakoff, P. M., MacKenzie, S. B., Paine, J. B., & Bachrach, D. G. (2000). Organizational Citizenship Behaviors: A Critical Review of the Theoretical and Empirical Literature and Suggestions for Future Research. *Journal of Management*, 26(3), 513–563. <https://doi.org/10.1177/014920630002600307>

<sup>119</sup> Jervis, R. (2017). Perception and Misperception in International Politics. <https://doi.org/10.2307/j.ctvc77bx3>

<sup>120</sup> Finel, B. I., & Lord, K. M. (2000). The Surprising Logic of Transparency. *Power and Conflict in the Age of Transparency*, 137–179. [https://doi.org/10.1007/978-1-349-38594-2\\_7](https://doi.org/10.1007/978-1-349-38594-2_7)

<sup>121</sup> Gibson, K. R., Harari, D., & Marr, J. C. (2018). When sharing hurts: How and why self-disclosing weakness undermines the task-oriented relationships of higher status disclosers. *Organizational Behavior and Human Decision Processes*, 144, 25–43. <https://doi.org/10.1016/j.obhdp.2017.09.001>

<sup>122</sup> Gibson, K. R., Harari, D., & Marr, J. C. (2018). When sharing hurts: How and why self-disclosing weakness undermines the task-oriented relationships of higher status disclosers. *Organizational Behavior and Human Decision Processes*, 144, 25–43. <https://doi.org/10.1016/j.obhdp.2017.09.001>

<sup>123</sup> Gibson, K. R., Harari, D., & Marr, J. C. (2018). When sharing hurts: How and why self-disclosing weakness undermines the task-oriented relationships of higher status disclosers. *Organizational Behavior and Human Decision Processes*, 144, 25–43. <https://doi.org/10.1016/j.obhdp.2017.09.001>

status cues that puts a lower cognitive tax, and reduces the incidence of conflict, when it comes to decision-making processes.<sup>124</sup>

However, tools such as humor can be paired with self-disclosure to positively influence impression management outcomes. In their research, Bitterly and Schweitzer<sup>125</sup> found that while simply stating negative information (“I am bad at math”) could damage perceptions of both warmth and competence, pairing such weakness-disclosing statements with humor (“I am not good at math. Geometry is where I draw the line”) helped to signal shifts in motive from transmission to entertainment.<sup>126</sup> If such disclosed statement was seen as highly relevant to the recipient of such information, humor could consequently enhance perceptions of warmth and competence. Humor, as defined a “benign violation”<sup>127</sup> in a (albeit non-threatening) psychological or physical sense<sup>128</sup>, could mitigate the harms of disclosing negative information. This occurs by reducing the perceived veracity of a disclosure and primal claims by signaling in “non bona fide communication”<sup>129</sup>.

Importantly, this was found to mitigate the effect of disclosing negative information about both core and non-core competencies when it came to interpersonal perception.<sup>130</sup> This is interesting, because previous research contemplated that disclosures about core competencies would be more negatively affected than disclosures about non-core competencies in interpersonal perception.<sup>131</sup> In fact, using humor can also be helpful during crisis situations when negotiating changes to organization or strategy with fellow teammates. Research by O’Quinn and Aronoff, for instance, demonstrated that negotiators that concluded their final offers with humorous statements received 18% more concessions than in the corresponding control.<sup>132</sup>

But what can leaders do if they are simply put, not funny individuals. Attempting to be humorous when one is not could damage the ability to form real interpersonal connections, as lower-ranking teammates might just chuckle in a display of deference<sup>133</sup>. As put forth by Leslie Blodgett, the founder and former chief executive officer of bareMinerals, people “want authenticity...if you are not a joke teller, do [not] practice

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<sup>124</sup> Gibson, K. R., Harari, D., & Marr, J. C. (2018). When sharing hurts: How and why self-disclosing weakness undermines the task-oriented relationships of higher status disclosers. *Organizational Behavior and Human Decision Processes*, 144, 25–43. <https://doi.org/10.1016/j.obhdp.2017.09.001>

<sup>125</sup> Bitterly, T. B., & Schweitzer, M. E. (2017). You're Getting Warmer: The Impression Management Benefits of Humorous Self-Disclosure. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.2926766>

<sup>126</sup> Bitterly, T. B., & Schweitzer, M. E. (2017). You're Getting Warmer: The Impression Management Benefits of Humorous Self-Disclosure. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.2926766>

<sup>127</sup> Ventis, L. (2016). Peter McGraw and Joel Warner: The Humor Code: A Global Search for What Makes Things Funny. *HUMOR*, 29(2). <https://doi.org/10.1515/humor-2016-0024>

<sup>128</sup> Ventis, L. (2016). Peter McGraw and Joel Warner: The Humor Code: A Global Search for What Makes Things Funny. *HUMOR*, 29(2). <https://doi.org/10.1515/humor-2016-0024>

<sup>129</sup> Raskin, J. D., & Attardo, S. (1994). Non-literality and non-bona-fide in language. *Pragmatics and Cognition*, 2(1), 31–69. <https://doi.org/10.1075/pc.2.1.02ras>

<sup>130</sup> Bitterly, T. B., & Schweitzer, M. E. (2017). You're Getting Warmer: The Impression Management Benefits of Humorous Self-Disclosure. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.2926766>

<sup>131</sup> Galinsky, A., & Schweitzer, M. (2015). The Ups and Downs of Managing Hierarchies: The Keys to Organizational Effectiveness. *IESE Insight*, (27), 54–61. <https://doi.org/10.15581/002.art-2793>

<sup>132</sup> O’Quinn, K., & Aronoff, J. (1981). Humor as a Technique of Social Influence. *Social Psychology Quarterly*, 44(4), 349. <https://doi.org/10.2307/3033903>

<sup>133</sup> Stein, J. (2017, July 11). *Humor Is Serious Business*. Stanford Graduate School of Business. <https://www.gsb.stanford.edu/insights/humor-serious-business>.

joke telling<sup>134</sup>.” As a solution therefore, one can seek out “humor ambassadors” – namely, others in the organization who are naturally more humorous and encourage them to take on “humor missions” to create more “bonded and resilient” teams<sup>135</sup>.

#### 4.5. A Clear Decisioning Process

One method of establishing technical credibility is having a clear process for making decisions that is transparent and well-disseminated to the rest of the team. Being able to discuss the results of this process and the considerations that went into reaching an eventual conclusion is key too. Providing greater transparency into information can not only help leadership build up greater technical respect, but also generate better technical outcomes. Providing further context and information helps employees make smarter and better decisions. As outlined by ex-Chief Operating Officer of Square, Keith Rabois, being transparent about information available to employees is crucial because “if you want people to make the same decisions you would make, but in a more scalable way, you have to give them the same information you have.”<sup>136</sup>

Because of the egalitarian culture that startups usually start out with, the presentation of a novel crisis that one can do little to directly affect, can result in feelings of powerlessness and confusion among employees. Rather than adopting purely top down structures in disseminating action plans and proposing strategies going forward, leaders in startup environments could complement this with more participatory decision-making procedures. This entrusts power and reinvoles autonomy in employees who, despite not having full control over an event, can view their leaders with credibility. Interpersonal credibility stems from the power of feeling and being heard – even if one’s contributions might not be taken up. Technical credibility of leaders can also stem from the respect one might have for a leader for canvassing a variety of opinions, especially in areas a leader is a non-specialist in or where others have more technical competencies in. “He doesn’t need to know everything. Actually, he only knows a very shallow layer of each engineering team’s work, but it is enough,” said one interviewee, when probed about what made her startup’s program manager such a successful leader. “What is more important is that he can talk to everyone and everyone can talk to him about what they need to make the project work.”

During times of financial difficulty, leaders will also, invariably find themselves in the difficult position of making budget cuts that might involve laying off team members. Being upfront with team members about limited areas that they can control to make this decision easier can be helpful. For instance, David Friedman, the founder of Knox Financial, reflected on his experience leading a startup team during the financial crisis of 2007 to 2009 in “[negotiating] with some employees on taking temporary salary reductions in exchange for more equity in the company”<sup>137</sup>. Consistent with such proposed intermediate solutions, “leading by

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<sup>134</sup> Stein, J. (2017, July 11). *Humor Is Serious Business*. Stanford Graduate School of Business. <https://www.gsb.stanford.edu/insights/humor-serious-business>.

<sup>135</sup> Stein, J. (2017, July 11). *Humor Is Serious Business*. Stanford Graduate School of Business. <https://www.gsb.stanford.edu/insights/humor-serious-business>.

<sup>136</sup> Levinson, S. (2018, April 11). *The Inevitable Future: Startup Transparency*. Medium. <https://medium.com/swlh/the-inevitable-future-startup-transparency-3c5e92fcd96b>.

<sup>137</sup> Dishman, L. (2020, April 20). *I'm a startup founder, and this is how I'm navigating a second economic crisis*. Fast Company. <https://www.fastcompany.com/90493504/im-a-startup-founder-and-this-is-how-im-navigating-a-second-economic-crisis>.

example” and taking a pay cut oneself was “critical for keeping everyone engaged as [the] business [moved] forward.”<sup>138</sup>

A symphony of factors has resulted in old concepts of loyalty in exchange for lifetime employment being gradually dismantled – first by a general economic impetus towards bottom-line performance being paramount, made more apparent in the context of a startup environment’s heightened awareness of its survival. However, the power of having subordinates participate in decision-making procedures has been well researched.<sup>139</sup> For instance, Huber and Lewis found that working in teams generates different perspectives, which can enrich interpretations.<sup>140</sup> When leaders share their perceptions, greater cross-understanding develops and meaning can be co-built, which can lead to consensus.<sup>141</sup> Greater amounts of cognitive diversity within teams can also increase creativity,<sup>142</sup> increase range of vision, and lead to more wide-ranging talks and exchanges about how to bring about positive changes.<sup>143</sup>

In addition, even occasional (but still meaningful) participation in decision making can boost employee engagement. Employee engagement here refers to employees’ state of mind in the workplace as being enabled, “empowered”, and enriched with a sense of “positive affect” directed at their employers<sup>144</sup>. Higher levels of employee engagement are associated with greater business awareness and a heightened willingness to dedicate additional time and effort to achieve a team’s goals.<sup>145</sup> This relates to a broader conception of how leadership skills can increase workplace engagement. In fact, scholars such as Jiang and Men have specifically identified “authentic leadership, transparent organizational communication, and work-life enrichment” as conditions that generate greater engagement, which managers can seek to put in place for greater functional and emotional team health.<sup>146</sup>

#### 4.6. Modeling and Including Structured Sharing

Bunker suggests that in an environment which increasingly focuses on the bottom-line performance of an organization, executives need to understand, among others, that these changes will have a complex and

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<sup>138</sup> Dishman, L. (2020, April 20). *I'm a startup founder, and this is how I'm navigating a second economic crisis*. Fast Company. <https://www.fastcompany.com/90493504/im-a-startup-founder-and-this-is-how-im-navigating-a-second-economic-crisis>.

<sup>139</sup> Magner, N., Welker, R. B., & Johnson, G. G. (1996). The interactive effects of participation and outcome favourability on turnover intentions and evaluations of supervisors. *Journal of Occupational and Organizational Psychology*, 69(2), 135–143. <https://doi.org/10.1111/j.2044-8325.1996.tb00605.x>

<sup>140</sup> Huber, G. P., & Lewis, K. (2010). Cross-Understanding: Implications for Group Cognition and Performance. *Academy of Management Review*, 35(1), 6–26. <https://doi.org/10.5465/amr.35.1.zok6>

<sup>141</sup> Huber, G. P., & Lewis, K. (2010). Cross-Understanding: Implications for Group Cognition and Performance. *Academy of Management Review*, 35(1), 6–26. <https://doi.org/10.5465/amr.35.1.zok6>

<sup>142</sup> Kilduff, M., Angelmar, R., & Mehra, A. (2000). Top Management-Team Diversity and Firm Performance: Examining the Role of Cognitions. *Organization Science*, 11(1), 21–34. <https://doi.org/10.1287/orsc.11.1.21.12569>

<sup>143</sup> Lant, T. K., Milliken, F. J., & Batra, B. (1992). The role of managerial learning and interpretation in strategic persistence and reorientation: An empirical exploration. *Strategic Management Journal*, 13(8), 585–608. <https://doi.org/10.1002/smj.4250130803>

<sup>144</sup> Maslach, C., & Leiter, M. P. (2001). Burnout verhindern und Identifikation aufbauen. *Die Wahrheit Über Burnout*, 109–134. [https://doi.org/10.1007/978-3-7091-6748-9\\_6](https://doi.org/10.1007/978-3-7091-6748-9_6)

<sup>145</sup> Matthews, R. A., Mills, M. J., Trout, R. C., & English, L. (2014). Family-supportive supervisor behaviors, work engagement, and subjective well-being: A contextually dependent mediated process. *Journal of Occupational Health Psychology*, 19(2), 168–181. <https://doi.org/10.1037/a0036012>

<sup>146</sup> Jiang, H., & Men, R. L. (2016). Creating an Engaged Workforce. *Communication Research*, 44(2), 225–243. <https://doi.org/10.1177/0093650215613137>

varied impact on different members on a team, and secondly, be able to provide credible and authentic leadership that will be able to facilitate a healing and revitalizing process.<sup>147</sup> To meet these needs on an emotional and functional performance-oriented level, startup leaders need to listen to their employee. Galvanizing communication through structured sharing sessions – in whatever form named – have long been a feature in the leadership and human resource arsenal of tools. During COVID-19, for instance, leaders in North American startups publicly stated that they were “bringing [transparency] through every day with clear and open communications to [their] team” in the form of “weekly updates”, offering “information, empathy, support”, and even delving into the realm of sharing “personal stories”.<sup>148</sup> At a technical level, such meetings also involved “transparency into the financial health of [the] company and [the team’s] course of action planned to weather the storm.”<sup>149</sup>

Research indeed backs up the benefits of sharing as a tool to increase cross-understanding. As mentioned above, research by Huber and Lewis suggest that higher team and individual learning, as well as higher overall performance, arises when team members understand each others’ mental models (how other members think). Conversely, this is least likely to result in positive performance outcomes when team members have little understanding or awareness of their fellow teammates mental models.<sup>150</sup> This arises because of at least three reasons. Firstly, understanding what other members belief, are sensitive to, and prefer when it comes to addressing tasks helps their counterparts communicate complex information in a way that is actively receivable by the recipient, resulting in lower incidence of conflict and disagreement. Secondly, this helps team entertain more diverse forms of thinking and accommodate more diverse sources of information. Team members with different perspectives may be more able to articulate their opinions in such spaces. The ability to supercharge communication via cross-understanding can assist other team members to put their minds to, and actively consider information that might be inconsistent with their initial preferences.<sup>151</sup> Thirdly, on a practical note, better coordination, lower redundancy, and a better appreciation of process results, as team members can accommodate each other and adjust accordingly. This is especially crucial in a dynamic startup environment. Helping team members attain higher cross-understanding is especially important to actively facilitate in the startup setting. For instance, Otoiu, Andrei, and Baban suggest that greater cross-understanding helps to improve decision-making routines and result in more cohesive outcomes.<sup>152</sup> This is especially when team turnover or team composition may be highly variable

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<sup>147</sup> Bunker, K. A. (1997, January 1). *The power of vulnerability in contemporary leadership.*: Semantic Scholar. undefined. <https://www.semanticscholar.org/paper/The-power-of-vulnerability-in-contemporary-Bunker/98aea2909dd5134bc45174efd3f632c7c7fef92>

<sup>148</sup> Soper, T. (2020, March 31). *GeekWire 200 startup leaders share leadership advice on navigating the COVID-19 crisis.* GeekWire. <https://www.geekwire.com/2020/geekwire-200-startup-leaders-share-leadership-advice-navigating-covid-19-crisis/>.

<sup>149</sup> Soper, T. (2020, March 31). *GeekWire 200 startup leaders share leadership advice on navigating the COVID-19 crisis.* GeekWire. <https://www.geekwire.com/2020/geekwire-200-startup-leaders-share-leadership-advice-navigating-covid-19-crisis/>.

<sup>150</sup> Huber, G. P., & Lewis, K. (2010). Cross-Understanding: Implications for Group Cognition and Performance. *Academy of Management Review*, 35(1), 6–26. <https://doi.org/10.5465/amr.35.1.zok6>

<sup>151</sup> Levine, J., & Thompson, L. (1996, January 1). *Conflict in groups.*: Semantic Scholar. <https://www.semanticscholar.org/paper/Conflict-in-groups.-Levine-Thompson/da870fe519e07961c72db81fab77e041713ba174>.

<sup>152</sup> Oțoiu, C., Andrei, D., & Băbana, A. (2012). Cross-understanding and trust formation within medical emergency intervention teams. *Procedia - Social and Behavioral Sciences*, 33, 875–879. <https://doi.org/10.1016/j.sbspro.2012.01.247>



owing to fluctuating business demands as well as growth opportunities. Stability in team membership is, on average, rare, in the average organization.<sup>153</sup>

However, there was considerable skepticism from our employees over the concept of mandated sharing sessions involving the exchange of vulnerabilities. This skepticism was particularly apparent from international employees who did not hail from North America. On-demand manifestation of vulnerabilities was seen as part of a larger need to manufacture a “personal story” in a highly network-based job market. In addition, some interviewees expressed that since they hailed from less effusive cultures, on-demand sharing of insecurities, while occasionally successful, could lead to at best unmeaningful stock repetition based on “what other people are saying...what they want to hear”, and at worst, an increasing distaste towards the whole activity of sharing itself.

Still, some slight tweaks to the process can help to increase engagement without moving into the realm of the trite. For instance, Chief Executive Officer of URX (now acquired by Pinterest), John Milinovich, instituted weekly forums explicitly titled “Contrarian Office Hours” for entire teams to gather to “share ideas, air grievances, ask questions, and say outright that they think things should be done differently.”<sup>154</sup> In particular, the word “contrarian” was selected for the sake of eliciting argument and identifying “hot-button topics”<sup>155</sup>. By making this a natural and consistent process, a safe space was created and people were “primed to not take things personally.”<sup>156</sup>

Ensuring that these fixed sessions are time-limited to specific time slots also encourages individuals to not beat around the bush and be upfront, and also encourages sharing sessions to remain on topic as general trigger-points for further discussion offline between relevant parties.<sup>157</sup> Separately, Edmonson suggests that having a central “coordinated clearinghouse” where employees can pose questions can complement scheduled meetings as a valuable resource for employees to pose questions that leaders can later directly address.<sup>158</sup> There are also benefits from sharing that generate positive feedback looks into visioning and storytelling during periods. For instance, a survey by McKinsey suggested that respondents who had the opportunity to actively reflect on the connection between their own sense of purpose and “how it connects to the company’s purpose” were almost three times likelier to actually feel their own purposes fulfilled at work.<sup>159</sup>

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<sup>153</sup> Lewis, K., Belliveau, M., Herndon, B., & Keller, J. (2007). Group cognition, membership change, and performance: Investigating the benefits and detriments of collective knowledge. *Organizational Behavior and Human Decision Processes*, 103(2), 159–178. <https://doi.org/10.1016/j.obhdp.2007.01.005>

<sup>154</sup> *How Fast-Growing Startups Can Fix Internal Communication Before It Breaks*. First Round Review. (n.d.). <https://review.firstround.com/How-Fast-Growing-Startups-Can-Fix-Internal-Communication-Before-It-Breaks>.

<sup>155</sup> *How Fast-Growing Startups Can Fix Internal Communication Before It Breaks*. First Round Review. (n.d.). <https://review.firstround.com/How-Fast-Growing-Startups-Can-Fix-Internal-Communication-Before-It-Breaks>.

<sup>156</sup> *How Fast-Growing Startups Can Fix Internal Communication Before It Breaks*. First Round Review. (n.d.). <https://review.firstround.com/How-Fast-Growing-Startups-Can-Fix-Internal-Communication-Before-It-Breaks>.

<sup>157</sup> *How Fast-Growing Startups Can Fix Internal Communication Before It Breaks*. First Round Review. (n.d.). <https://review.firstround.com/How-Fast-Growing-Startups-Can-Fix-Internal-Communication-Before-It-Breaks>.

<sup>158</sup> *How to Talk to Your Team When the Future Is Uncertain*. Harvard Business Review. (2021, February 1). <https://hbr.org/2020/04/how-to-talk-to-your-team-when-the-future-is-uncertain>.

<sup>159</sup> Dhingra, N., Samo, A., Schaninger, B., & Schrimper, M. (2021, April 21). *Help your employees find purpose--or watch them leave*. McKinsey & Company. <https://www.mckinsey.com/business-functions/organization/our-insights/help-your-employees-find-purpose-or-watch-them-leave?cid=other-eml-shl-mip->

How also, can leaders try to make structured sharing sessions productive and transform the internal reluctance of some employees towards these activities? Podsakoff et al<sup>160</sup> and Rich<sup>161</sup>, among others, have suggested that role modeling is a transformational leadership behavior, which one would surmise can assist this process. Leadership teams therefore need to model the behaviors they expect from their teammates when receiving news of weaknesses or vulnerabilities that have hitherto been undiscovered. Startup leaders, for example, have shared about the importance of modelling open behaviors in their own attempts to influence the company. Milinovich, for instance, shared that one of the first lessons he learned while leading URX when the company had a nine to ten person headcount was actually that “the entire organization tended to reflect my emotions.”<sup>162</sup> Consequently, in his search to increase transparency within the organization, he intentionally was “extremely open and honest about his own life, problems [faced],” and business concerns with other employees in the team regardless of their internal rank.<sup>163</sup> In the context of sharing sessions, modelling a willingness to participate and “getting the ball rolling” can be key to making these sessions useful. This can also be heightened by emotional leadership and association with team members’ identities. As enunciated by Giessner and van Knippenberg in their research, a leader’s “prototypicality”, or how much they are perceived as embodying a group’s identity, affects how followers perceive them, with greater prototypicality resulting in greater trust towards their leaders because they were assured of having the team’s “best interests at heart”.<sup>164</sup> The idea of having a team’s best interests be seen to be taken to heart is one step beyond the cerebral and calculative (i.e. something to merely be kept “in mind”), but as personally affective of a leader as well.

Modeling open behaviors very intentionally can also help leaders themselves deal with uncertainty and reach more objective outcomes. As suggested by John Chambers, former chief executive officer and Cisco Systems and current chief executive officer of JC2 Ventures, leaders cannot “[make] decisions one step at a time” in state of constant uncertainty, but, with crises not being “the time to close the office door...agonize over the data alone.” Rather, getting together with fellow teammates to determine the objective causes and effects of a crisis – namely, “how much of a crisis was created by the market...[or] due to internal factors” could be key to responding objectively and efficiently.<sup>165</sup>

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<sup>160</sup> Podsakoff, P. M., MacKenzie, S. B., Moorman, R. H., & Fetter, R. (1990). Transformational leader behaviors and their effects on followers' trust in leader, satisfaction, and organizational citizenship behaviors. *The Leadership Quarterly*, 1(2), 107–142. [https://doi.org/10.1016/1048-9843\(90\)90009-7](https://doi.org/10.1016/1048-9843(90)90009-7)

<sup>161</sup> Rich, G. A. (1997). The Sales Manager as a Role Model: Effects on Trust, Job Satisfaction, and Performance of Salespeople. *Journal of the Academy of Marketing Science*, 25(4), 319–328. <https://doi.org/10.1177/0092070397254004>

<sup>162</sup> *How Fast-Growing Startups Can Fix Internal Communication Before It Breaks*. First Round Review. (n.d.). <https://review.firstround.com/How-Fast-Growing-Startups-Can-Fix-Internal-Communication-Before-It-Breaks>.

<sup>163</sup> *How Fast-Growing Startups Can Fix Internal Communication Before It Breaks*. First Round Review. (n.d.). <https://review.firstround.com/How-Fast-Growing-Startups-Can-Fix-Internal-Communication-Before-It-Breaks>.

<sup>164</sup> Giessner, S. R., & van Knippenberg, D. (2008). “License to Fail”: Goal definition, leader group prototypicality, and perceptions of leadership effectiveness after leader failure. *Organizational Behavior and Human Decision Processes*, 105(1), 14–35. <https://doi.org/10.1016/j.obhdp.2007.04.002>

<sup>165</sup> Chambers, J. (2020, April 2). *Leadership and Crisis Management During the COVID-19 Outbreak*. JC2 Ventures. <https://www.jc2ventures.com/news/2020/4/1/leadership-and-crisis-management-during-the-covid-19-outbreak>.

## 5. Conclusion

Labelling a situation as a “crisis” might intuitively seem to suggest that because they are anomalies, crises demand a response that closes the loop altogether. Under this mental model, success is represented as the excision of an anomalous situation, or at least, the excision of discomfort with such uncertainty.

On occasion, this has been and can be the case. But in other times, there is no clear end-game, or at least, a new norm develops. This represents adjustments to the host of leadership skills required to handle adaptive challenges: for instance, when it comes to sensemaking, one needs to seek out a “unifying order even if...not sure if one exists”, and persisting in “play[ing] this game indefinitely” in spite of uncertainty over whether “we have [in fact] found the order.”<sup>166</sup> Consequently, leaders rarely have the luxury of understanding the dimensions of a novel situation themselves prior to communicating its impact to their team members. So, as Jaworski and Scharmer suggest: “What distinguishes great leaders from average leaders is their ability to perceive the nature of the game and the rules by which it is played, as they are playing it.”<sup>167</sup> The art of being able to disclose sufficient vulnerability while retaining credibility and effectiveness is a continuing process that changes with each situation and with no clear puzzle key to provide firm footing.

Still, there are broad principles that can be helpful in illuminating the way forward for startup leaders placed in the unenviable position of grappling with a slew of vulnerabilities as well as the business survival of an organization with visionary outcomes and jobs on the line. But before tackling the colossus ahead, it remains important for startup leaders to not just hunker down on the task at hand, but to understand themselves first. This helps ensure that any sharing done with the team is done in a structured and strategic way, rather than being general verbiage or at worst, a therapy session in public view. So before addressing employees either informally or formally, leaders need to know how to buckle down and examine their own weaknesses, needs, and response to the situation. As delicately phrased by Edmondson: “Put on your own oxygen mask first.”<sup>168</sup> By understanding one’s own needs and the specific contours of the situation an organization is in, one can better adapt to the actionable suggestions outlined in the previous chapter.

The importance of understanding the challenge ahead deeply is crucial because leaders are not just goal-oriented managers here, but take on an additional degree of roadmaking and emotional support for their other employees. As Argenti posits, during crises, leaders are “essentially teaching people how to succeed.”<sup>169</sup> So, the key task is for startup leaders here to be able to sense-make under crisis, an intrinsically complicated task as leaders have to “think and problem solve” within a new and highly ambiguous situation in situations with high “time-pressure”, surrounded by high-achieving fellow managers

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<sup>166</sup> Snook, S. A., Nohria, N., & Khurana, R. (2012). *The handbook for teaching leadership: knowing, doing, and being*. SAGE Publications.

<sup>167</sup> Jo Scharmer, C. O. (2000). Organizing Around Not-Yet-Embodied Knowledge. *Knowledge Creation*, 36–60. [https://doi.org/10.1007/978-1-349-62753-0\\_3](https://doi.org/10.1007/978-1-349-62753-0_3)

<sup>168</sup> *How to Talk to Your Team When the Future Is Uncertain*. Harvard Business Review. (2021, February 1). <https://hbr.org/2020/04/how-to-talk-to-your-team-when-the-future-is-uncertain>.

<sup>169</sup> *How to Talk to Your Team When the Future Is Uncertain*. Harvard Business Review. (2021, February 1). <https://hbr.org/2020/04/how-to-talk-to-your-team-when-the-future-is-uncertain>.

and teammates, all the while portraying a united front to customers and investors.<sup>170</sup> While there are limits to any prescriptive tool, broad principles can help startup leaders develop strong mental models and schemas<sup>171</sup>. Hopefully, this will enrich their and their team's abilities to accept, understand, and respond to the slings and arrows directed at their brave new business worlds.

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