

Important Venture Leadership Character Qualities

Many investors in early-stage ventures have a bias toward the strength and character of the founding entrepreneurs - often exceeding the merits a strong solution to a painful problem with a big opportunity. In other words, the entrepreneur qualities pertaining to competencies, integrity, collaboration, knowledge, credibility, engaging, results oriented, adaptable, etc. - is more important than the idea ! In investor jargon, people are *investing in the jockey and the horse !* To help in understanding how leadership character is critical to the success of a business, valuable insights are provided in the classic book "[Return On Character](#)," by Fred Kiel, a renowned leadership consultant. He did a study of more than 100 CEOs, with feedback from over 8,000 of their employees on this topic. His research concluded that CEOs who received high scores for character also achieved much higher business results – nearly five times the average return on assets (ROA) during the two-year period covered. On the other hand, those CEOs with the lowest character scores (self-focused and/or didn't have the requisite qualities) were distrusted or suspected of not telling the truth about half the time.



Through interviews, the traits and habits exhibited by Leaders with a top character ranking include -

1. **Displays and demands high moral principles / integrity** - These are summarized as the four keystone character habits of integrity, responsibility, forgiveness and compassion. The authors found these to be achievable through self-training and practice, rather than requiring a genetic endowment. That means all of us have a chance.
2. **Excellent at situation analysis / embraces a worldview of positive beliefs** - The scope of the positive leadership views included human nature, organization life, and personal purpose. The lower character leaders were consistently more negative and pessimistic in their worldview. In both cases, the beliefs tended to become realities.
3. **Multi-level thinker / developed a higher level of mental complexity** - A leader judged high on cognitive complexity tends to perceive nuances and subtle differences that a person with a lower measure does not. High leaders continually challenged their own ideas and were quicker to adapt them to encompass new information, experiences, and meaning.

4. **Sought out, listened, and acted on good advice** - High scoring leaders seek and positively respond to feedback from three critical groups: peers, customers, and direct reporting team members. Self-focused leaders, on the other hand, are more likely to resort to denial when faced with unpleasant or contrary information.
5. **Find and enjoy the company of one or more mentors / informed colleagues** - The leadership benefits of mentoring start in childhood, but are just as important at the mature CEO level. High achieving leaders recognize and seek – career / business mentoring for the longer term, peer mentoring for strategic and tactical guidance, and life mentoring for perspective and quality of life balancing.
6. **Demonstrate the ideas and behaviors of self-determination** - Leaders with a high level of self-determination continually seek more competence in their chosen domain, relatedness and connectivity to other stakeholders, and the autonomy to act in harmony with an integrated view of themselves.
7. **Build on your experiences, goals and values** - By crafting a coherent narrative of your life, you are better able to understand the major events and influences that have shaped your personal development and use that understanding to assess and improve their response to new situations as they arise.
8. **Sought and accepted help from many supportive people since childhood** - Leaders who have sought help from natural helpers since childhood, including parents, teachers, and business influencers, usually feel more accepted, respected, and affirmed, and pass that feeling on to followers.
9. **Learn lots and learn fast** - All good Leaders know the importance of information and making quality decisions on a timely basis - on an ongoing basis.
10. **Be results oriented, persistent and smart in pursuing goals** - To respect success is 10 % inspiration and 90 % perspiration, the importance of vision, being opportunistic, and to monetize value creation.

In summary, entrepreneurs having these qualities significantly improve the probability of business success and reduce the high risks associated with venture investing. This makes supporting entrepreneurship more rewarding for all stakeholders and is crucial for the launching of new companies in the future and the sustainability of the venture funding industry. Further, the more entrepreneurs understand the importance of character and leadership to their personal and professional growth, they will realize the significant benefits associated with attracting high caliber personnel, many Customers, quality investors, etc. And as there are more metrics around *The Return on Character* in business it will be even more interesting and rewarding !

May 25, 2018