

# Jim Jaffe

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## Managing Expectations

Jim Jaffe is a man who brings to the table over forty years of management experience, from running large companies to helping to grow small businesses. He has done so across industries, countries and cultures, and has concluded that there is, in fact, a unifying theme across the world. “Everybody wants to be respected and accepted. They want people to pay attention; they want their ideas to be heard.” In Jim’s case, his ability to create successful enterprises was often the result of doing just that.

Now the CEO of the National Association of Seed and Venture Funds (NASVF), Jim oversees a non-profit association with members in over 40 states and 6 countries. He explains that their goal is to provide access to “innovation capital” for entrepreneurs and technologists seeking to commercialize their business. Jim explains it best himself: “If you were to visualize us as an hourglass on its side, with money on one side and the technology on the other, we’re in the middle, providing best practices, access, and lots of things that relate to ‘how do people communicate about their needs?’”

In his present job, Jim is a frequent public speaker, giving presentations to many large groups every year. He explains that in these 50 slides presentations on “What’s Innovation Capital?” it is one slide in particular that generates the most buzz. At the very end, Jim explains, there is one chart that is titled, “The Funding Secret.” And the first line is, “It’s not about the technology.” This misconception is often at the heart of the issue, he explains. “It’s about the

scalability, the market, cash flow through the years...and not only do people not know that, after all, these can be really cutting-edge technologies, but the young people who want to be entrepreneurs don’t know that either.”

He continues on to explain the issue he takes with some of the perceptions of entrepreneurship today. “I think there is an element of what I would call “Magical thinking” that is associated with entrepreneurship. Young people don’t know what to do these days; and entrepreneurship *sounds* like it’s the answer to everyone’s prayers. It sounds very straight forward. But what people don’t realize is that it’s like winning a lottery. Sure it happens, but most people don’t.” Yet if this observation would incline anyone to believe that Mr. Jaffe is opposed to entrepreneurship, they would be quite mistaken.

Jim grew up, by his own admission, in a corporate world. His father ran a small business focused on the technology of the day, Micro Film. It was, Jim explains, a very good grounding for him. Going into large companies, Jim observes that his corporate career was relatively standard. He does however, make a notable observation—namely that running a large company is not what a young person aspiring to be a CEO would expect. There are far more nuances involved than one would expect. When he left the corporate world behind, Jim got together with a few partners and created a small fund in order to buy small businesses.

When investing in and buying small businesses, Jim observes that there can often be obstacles to reaching the company’s



potential that are self-imposed by poor management. And so, Jim and his partners, all of whom had extensive operating backgrounds, would often go into companies they had bought and act as temporary CEOs while also providing extensive training. One of the more interesting side effects of this process, explains Jim, was the ability to help people recognize their potential. While the ultimate long-term objective was to see a return on investment, to do so often meant stepping into the leadership role, a phase which further developed Jim's interest in small businesses.

Then about fifteen years ago, Jim became very interested in what was happening in Central and Eastern Europe. As he explains it, "The wall had come down, and there were many ex-socialist countries beginning to emerge into trying to figure out how to do business. And while they might have all the right contacts, the real challenge is that from the business growth/marketing perspective, what do you do?" So Jim took on his next challenge, which came in the form of being involved in many organizations that worked with small businesses and entrepreneurs to assist them in this entire process. Much of it had everything to do with providing funding, but what Jim found to often be more important was providing technical assistance—training—as part of this whole process. For a number of years, Jim worked tirelessly throughout many different countries, mostly in Eastern Europe as well as the Philippines. It is from that time that he relates one of his most interesting stories.

"People, for the most part, in those ex-socialist societies did not understand the concept of performance-based rewards. Rather, they understood salaries." One of the challenges in running an overseas program such as the incubator Jim ran, was in figuring out how to obtain sustainability. In a town in western Ukraine, he provided

office space, and fax machines and computers and training programs. Often, such programs would receive funding only to fail three years later when the balance in their accounts hit zero and they had nothing to show for it. So, gathering his staff of fifteen, Jim explained that he wanted to ensure they would remain employed for a long time into the future.

In order to do so, he explained that there were certain goals and measurements they would need to hit, which he had laid out on a large spreadsheet. Inviting everyone to look at it, he found that in fact, nobody paid attention. So Jim gathered his staff and explained that he was going to pay them for performance. Jim chuckles and explains, "They said, what's that?" Putting into place measurable goals and holding the entire team accountable regardless of their role, the more important story is that Jim has been absent from that program for 10 years—and it's still there. "Because they got the message about how to do it, and once they understood that people were important, you needed to reward them, you needed to set up performance measures and they needed to see it, the whole thing really came together very nicely."

There is, however, an opposite side to the coin here, and Jim is quite candid about the necessity for reasonable expectations. As he explains it, "Fundamentally, I think that paying people for the objectives of the organization is desirable, but in parallel you need to recognize that you just can't give everyone complete free reign." Much of this is evident within young people today. The issue is managing the expectations of the people entering the workforce concurrently with those who are already within the workforce. The huge question of course, is how does one do that?

Part of the issue, Jim explains, is the need for colleges and universities to manage

the expectations of their students. Jim views this as a social responsibility on their part, because a big piece of the college selection process is of course, job placement. One of the problems, Jim observes, is that universities themselves narrowly focus on the thinking that “it’s either start your own business as an entrepreneur and go to our entrepreneurship school, or we’ll prepare you for a consulting or finance career. But where are your other options?”

Jim takes this point further, elaborating that he’s not sure how flexible the thinking is of the people looking to enter the workforce. Oftentimes, people can be their own worst enemies because they’re locked into only thinking of “opportunities” in a certain way. When asked about what lends him to seeing opportunities where others may not, Jim gives a simple, direct answer. “I think I may be fortunate in that I tend to be optimistic and have a willingness to experiment.” Then, with a laugh, he adds, “And I also have a wife who said, ‘OK, we’re willing to leave Chicago and move to Macedonia.’” While the skill set to open the door to an opportunity such as that is necessary, Jim observes that his friends were all equally skilled. It is often an attitude issue.

The attitude issue often comes down to risk tolerance, but also a degree of confidence. Listening to Mr. Jaffe speak, one becomes immensely aware of his clear understanding of the entire process of building businesses. He explains some of the issues of the lottery mindset inherent in many entrepreneurs that he meets; namely, the unrealistic expectations he encounters. “If you do want to be an entrepreneur, and I deal with lots and lots of entrepreneurs, you sure as hell better have a grounding in ‘what does this mean?’ ‘How do I write a business plan?’ ‘Where’s the market?’ ‘What’s the competition?’ ‘Where’s my second round of funding going to come from?’ The

assumption, of course is that your technology or product works; that’s part of the answer. But unfortunately, what I often see is that when people have a technology that they either invent or develop, they think it is so wonderful and sexy that that’s all there is to it! And that never happens.”

Jim returns to his point about managing expectations. The bottom line, he explains, is to be careful not to waste time by not focusing where one’s real opportunities are. So the question becomes, how, whether in a corporate world or an entrepreneurial world, does one balance where to spend time?

Jim has the answer, and it’s simple. In his view, it’s fundamental to everything that everyone in the universe does. “Sounds like a strong statement,” Jim reflects. It’s what he calls “the 80/20 rule.” And what the 80/20 rule means “is that 20% of the activities are responsible for 80% of the results.” The converse, of course, is the 20/80 rule, which is often a trap into which people fall. “Spend 20% of your time where 80% of the action is. If you spend another 80% of your time, and the payoff is minimal, then why are you bothering?”

Jim wraps up his thoughts with a succinct reflection upon why his rule is applicable to corporate business people and entrepreneurs alike, the summation of his many years in both worlds. “What I have found is that in thinking about the 80/20 rule, it helps focus where you want to spend your time. Because that’s all you’ve got—is your time.”

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