

Founder strife blamed for startup failures

By Patricia B. Mirasol
Multimedia Producer

MANY STARTUPS fail not just due to funding problems but because of unresolved conflicts between founders, according to an expert in the psychology of startup teams.

"There's a belief that it's about running out of cash or not finding a project market fit," said Martin Gonzalez, creator of Google's Effective Founders Project, a global research program that uses people analytics to uncover what makes the best startup founders succeed.

The top people issue that kills startups is unresolved conflicts between co-founders, Mr. Gonzalez told *BusinessWorld* via Zoom.

"Go slow in finding your co-founders," he said. "The more stable partnerships... are those with former acquaintances and former co-workers," he added, noting how seeing people in work settings allows one to discern the skill sets and work ethics of a potential co-founder.

Friends and family, on the other hand, make for unstable partnerships, in part because "the cost of the relationship is so expensive," apart from the fact that they bring to the table the same skill sets and networks.

"Part of the fact there's a mismatch between the data and what may be popular among startup circles is because the tech is exciting," Mr. Gonzalez said. "It's something you can post [on social media]."

About 55% of startups fail because of people problems, according to a 2016 study by Harvard University, Stanford University and University of Chicago researchers.

Active startups in the Philippines have increased to 700 from just 100 in 2015, according to a May 2023 report by the Asian Development Bank.

Mr. Gonzalez said making difficult conversations from the start is crucial. "When venture

capitalists see co-founders that split equity equally, they know instinctively that this co-founding team is not able to have those tough conversations."

A 50-50 scenario does not exist, he added.

"It might seem equal today but as the business pivots, as life gets in the way, your contributions might get imbalanced," he said.

Deferring a difficult conversation is a sign that the team is not mature enough to handle problems. It also leads to a sense of unfairness down the line.

"That's why there isn't really a spotlight on people issues," Mr. Gonzalez said. "It starts very small, so small, it doesn't even feel worth having a tough conversation over — but then it snowballs and gets really big."

Poor decision-making and prioritization, hiring and retaining talent and a reluctance to make tough decisions on team members are the other people problems that risk a startup's success.

The Effective Founders Project found that minimizing unnecessary micromanagement and inviting disagreements could help overcome the risk of failure.

A disagreement among diverse teams leads to more effective outcomes, Mr. Gonzalez said.

He said a way to create quality disagreements is to elevate straw man arguments — an argument that distorts an opposing stance to make it easier to attack — into "strongman" ones, where an opposing point of view is represented in a way that satisfies the opponent.

And while it's a good strategy to support junior staff closely, it's also important to give them more autonomy over time.

A hack in micromanagement is when the focus is narrowed but space is provided within the framework. "The best work is done when people are clear about the goal and then you let them control the work and figure out the way forward."

Fertility startups in Japan thrive on high demand

A SMALL NUMBER of startups are stepping up to address infertility issues in Japan, where shortages of treatment options plague patients in a country grappling with one of the world's lowest birth rates.

Yukiko Nakai, one such entrepreneur, spent hours in packed infertility clinics, counting the inefficiencies that exacerbated already long wait times. She soon ran out of her vacation days at work. Her take-home salary fell, while her out-of-pocket medical bills climbed to around ¥10 million (\$66,000).

"I was so frustrated, and that feeling was made worse by the uncertainty about whether the treatment would succeed," said Ms. Nakai, who had always dreamed of a large family. After leaving her managerial role at Yahoo Japan, she founded Arch in 2021, an app developer that helps women's clinics cut patients' wait times through digitalization. "The knowledge that you can never regain each moment that passes adds to the stress."

Demand for infertility treatment is high in Japan, where the number of live births fell for eight straight years to another record low last year. One in 4.4 couples in Japan has undergone tests or treatment for infertility, and the number of babies resulting from assisted reproductive technologies such as in vitro fertilization stood at one in 11.6 in 2021. The country is home to the world's second-highest number of assisted reproductive technology cycles after China, according to

the International Committee for Monitoring Assisted Reproductive Technologies.

Next week marks two years since Japan expanded public health insurance coverage to include a small number of infertility treatments. That stamp of approval is spurring even more demand and causing chronic shortages in hormonal drugs such as Duphaston, Provera and Norlutin, according to the Japan Society of Obstetrics and Gynecology.

It's also propelling bigger sums of money into startups that until recently struggled to grab the attention of venture capital funds.

Tokyo-based Varinos raised ¥600 million in a Series C funding round in 2022, lifting the total amount raised to ¥1.1 billion. Founder Yoshiyuki Sakuraba, who once worked at US gene-sequencing firm Illumina, Inc., previously had little success sparking investor interest in a startup that focuses on the uterine bacterial microbiome for clues for successful births.

Instead, he received financing from his network within the medical community to build a laboratory equipped with genome analyzers, each costing tens of millions of yen, and reagents costing several hundred thousands of yen per test. — **Bloomberg News**

FULL STORY
Read the full story by scanning the QR code with your smartphone or by typing the link tinyurl.com/24vz3xa6

22. Lastly and corollary to the foregoing, EERI would like to improve the discerning wisdom of the Honorable Commission to include in its issuance for this purpose the "procedures for handling or returning the confidential information, as may be appropriate, upon the close of the proceedings..." (Sec. 2, Rule 4, ERC RRRP)

23. This is guided by the fact that EERI will seek for the return of these sought to be declared confidential annexes after its utilization as evidence in this case and/or at the close of the proceedings hereof, so as to relieve the Honorable Commission of the burden of safekeeping the trade secrets of EERI enclosed in the subject annexes.

PRAYER

WHEREFORE, premises considered, Applicants respectfully pray that the Honorable Commission:

- Issue an Order TREATING ANNEXES "W", "X and Series" and "CC" and all other information contained therein as CONFIDENTIAL, directing their non-disclosure to persons other than officers and staff of this Honorable Commission, continuously protecting the said information from public disclosure by maintaining the same separate and apart from the records of the case, and ensuring that these are not divulged to unauthorized persons, and that the same will be returned to Applicant EERI, pursuant to Rule 4 of the ERC RRRP; and
- After hearing on the merits, render a Decision APPROVING the MERALCO-EERI PSA and the terms and conditions thereunder, including the price.

Other reliefs, just and equitable under the circumstances, are likewise prayed for.

The Commission sets the instant *Joint Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-Trial Conference and presentation of evidence on the following dates and online platform for the conduct thereof, pursuant to Resolution 09, Series of 2020⁵ and Resolution No. 01, Series of 2021⁶ (ERC Revised Rules of Practice and Procedure):

Date	Platform	Activity
16 April 2024 (Tuesday) at two o'clock in the afternoon (2:00 PM)	Microsoft Teams Application	Determination of compliance with the jurisdictional requirements and expository presentation
23 April 2024 (Tuesday) at two o'clock in the afternoon (2:00 PM)		Pre-Trial Conference and presentation of evidence

MERALCO and EERI are directed to host the virtual hearings at **MERALCO's Principal Office at Lopez Building, Ortigas Avenue, Brgy. Ugong, Pasig City**, as the designated venue for the conduct thereof, and ensure that the same is open to the public. MERALCO and EERI shall guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

Any interested stakeholder may submit its comments and/or clarifications at **least one (1) calendar day** prior to the scheduled initial virtual hearing, via electronic mail (e-mail) at doCKET@erc.ph and copy furnish the Legal Service through legal@erc.ph. The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

Moreover, any person who has an interest in the subject matter of the instant case may become a party by filing with the Commission via e-mail at doCKET@erc.ph, and copy furnishing the Legal Service through legal@erc.ph, a verified Petition to Intervene at **least five (5) calendar days** prior to the date of the initial virtual hearing. The verified Petition to Intervene must follow the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure, indicate therein the docket number and title of the case, and state the following:

- The petitioner's name, mailing address, and e-mail address;
- The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- A statement of the relief desired.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may file through e-mail at doCKET@erc.ph, and copy furnish the Legal Service through legal@erc.ph, their Opposition or Comment at **least five (5) calendar days** prior to the initial virtual hearing. Rule 9 of the ERC Revised Rules of Practice and Procedure shall govern. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:


- The name, mailing address, and e-mail address of such person;
- A concise statement of the Opposition or Comment; and
- The grounds relied upon.

All interested parties filing their Petition to Intervene, Opposition or Comment are required to submit the hard copies thereof through personal service, registered mail or ordinary mail/private courier, **within five (5) working days** from the date that the same were electronically submitted, as reflected in the acknowledgment receipt e-mail sent by the Commission.

Any of the persons mentioned in the preceding paragraphs may access the copy of the *Joint Application* through the Commission's official website at www.erc.gov.ph.

Finally, all interested persons may be allowed to join the scheduled virtual hearings by providing the Commission, through legal.virtualhearings@erc.ph, their respective e-mail addresses and indicating therein the case number of the instant *Joint Application*. The Commission will send the access link/s to the aforementioned hearing platform **within five (5) working days** prior to the scheduled hearings.

WITNESS, the Honorable Commissioners **ALEXIS M. LUMBATAN, FLORESINDA G. BALDO-DIGAL and MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 8th day of March 2024 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:

CATHERINE P. MACEDA
Commissioner and
Officer-in-Charge of the
Office of the Chairperson and CEO



¹ Project Feasibility Study
² Financial Model and Generation Rate Derivation
³ G. R. No. 172835, 13 December 2007.

⁴ In the Matter of the Application for the Approval of the Power Supply Agreement Between Nueva Ecija II Electric Cooperative, Inc. - Area 2 (NEECO II - Area 2) and PNOC Renewables Corporation (PNOC RC) with Prayer for Provisional Authority, ERC Case No. 2015-111 RC, Decision dated 30 May 2017, p. 26.

⁵ A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.
⁶ A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

DOE Certificate of Conformity No. 2023-10-002 dated October 27, 2023	"C-1"
2024 MERALCO-EERI PSA	"D"
Executive Summary	"D-1"
Judicial Affidavit of MERALCO's witness, ENGR. DAVIDJOHN A. ZUÑIGA, Officer of MERALCO's Energy Resource Planning - Energy Sourcing Office	"E"
MERALCO's Articles of Incorporation and By-Laws (SEC-certified true copy)	"F"
MERALCO's Latest General Information Sheet ("GIS") (SEC-certified true copy)	"G"
Verified Certification of True Copies of MERALCO's Articles of Incorporation, By-Laws, and GIS and of MERALCO's Ultimate Parent Company, all of its subsidiaries and affiliates	"G-1"
MERALCO's Demand Side Management Program	"H"
Write-up on the Non-Applicability of National Power Corporation ("NPC") Certification regarding whether or not Transition Supply Contract ("TSC") capacity and energy is expected to be available during the contractual period	"I"
<ul style="list-style-type: none"> Excerpt of MERALCO's Distribution Development Plan - Power Supply Procurement Plan (Supply and Demand Scenario); Average Daily Load Curve scenarios Details of Existing Suppliers Details of Power Supply Contract Utilization Details of SAIDI and SAIFI Estimation of the potential for a reduction in load supplied by MERALCO due to RCOA, GEOP, etc. 	"J"
<ul style="list-style-type: none"> "J-1" "J-2" "J-3" "J-4" "J-5" 	
Documents showing MERALCO's conduct of CSP	"K" and series
SEC Certificate of Registration including the Articles of Incorporation and By-Laws of EERI 2023 General Information Sheet of EERI (SEC-certified true copy)	"L and series"
Verified Certification of the list of Board Directors and members of the Ultimate Parent Company, subsidiaries and all affiliates of EERI	"M"
Write-up on the non-applicability of a Shareholder's Agreement	"O"
Board of Investments ("BOI") Certificate of Registration	"P" and "P-1"
Environmental Compliance Certificate ("ECC")	"Q"
Affidavit of Undertaking for the filing of the COC of the Plant	"R"
Certificate of Endorsement from the DOE regarding the inclusion of the Plant in the PDP	"S"
Written Explanation on In-applicable Documents	"T" and series
<ol style="list-style-type: none"> Write up on the Non-Applicability of RE Requirements Water Permit from the National Water Resources Board Distribution Wheeling Service Agreement Transmission Wheeling Contract IPPA Agreement Wholesale Aggregator Agreement Bank Certification of Long-Term Loans including Schedule of Original Loans Certification from the bank or lending institution 	
Single-line Diagram	"U"
Point-to-Pont Application of the Plant	"V"
Project Feasibility Study (confidential)	"W"
Financial Model and Generation Rate Derivations (confidential)	"X and series" *
Certification on the Fuel Supply Procurement	"Y"
Fuel Supply Agreement	"Y-1"
Technical and Economic Characteristics of the EERI Plant (including the write up as regards the inapplicability of the requirement concerning the data on outages)	"Z" and Series
Certified True Copy of EERI's Audited Financial Statements	"AA" and series
Net Heat Rate Simulation of the number of operating units necessary to meet the MEOT	
Wholesale Electricity Market Registration (WESM)	
Certification as regards the Operation and Maintenance Agreement	"BB"
Lump Sum Supply Contract (EPC Agreement) (Confidential)	"CC" and series

ALLEGATIONS IN SUPPORT OF THE MOTION FOR CONFIDENTIAL TREATMENT OF INFORMATION

- Under Rule 4 of the ERC RRRP, a party to any proceeding before the Honorable Commission may request that certain information not be disclosed and be treated as confidential, by describing with particularity the information to be treated as confidential, specifying the ground for the claim of confidential treatment of the information and, if applicable, specifying the period during which the information must not be disclosed.
- With respect to the documents marked and attached as ANNEXES "W", "X" and Series,² and "CC" EERI respectfully moves that these be treated as confidential and not be disclosed to any party for the reason that these contain non-public, proprietary information, data and calculations involving the investments, financial calculations, and business operations of EERI. The data and information contained therein are part of the overall formula and process in arriving at the competitive rates of EERI. These formula and process are specifically developed for the use of EERI and are treated as trade secrets. If the information contained in these documents are unduly disclosed, it will seriously prejudice the competitiveness of EERI. These documents are neither generally available to the public nor already in the possession of the Honorable Commission on a non-confidential basis.
- In the case of *Air Philippines Corporation vs. Pennswell Inc.*,³ the Supreme Court defined "trade secret" as follows:

"A trade secret is defined as a plan or process, tool, mechanism or compound known only to its owner and those of his employees to whom it is necessary to confide it. The definition also extends to a secret formula or process not patented, but known only to certain individuals using it in compounding some article of trade having commercial value. A trade secret may consist of any formula, pattern, device, or compilation of information that (1) is used in one's business; and (2) gives the employer an opportunity to obtain advantage over competitors who do not possess the information. Generally, a trade secret is a process or device intended for continuous operation of the business, for example, a machine or formula, but can be a price list or catalogue or specialized customer list. It is indubitable that trade secrets constitute proprietary rights." (Emphasis supplied.)

- The protection of trade secrets is likewise recognized by the Honorable Commission in its Decision in ERC Case No. 2015-111 RC:

"In the case of PNOC RC, the documents sought to be protected from disclosure contains formula and pricing structures used in arriving at their proposed tariff. The prices cited in the documents were components of the proposed tariff. In fact, all three (3) documents were used by the Commission in evaluating the reasonableness of the proposed rate. In electric power industry [where] prices is a major consideration in selecting one's supplier, it is apparent that the assumption used in arriving at one's proposed tariff is considered a competitive leverage by one player against its competitors.

Thus, the Commission resolved to treat the said documents confidential and may not be publicly disclosed."⁴

- EERI hereby submit one (1) copy of the foregoing confidential documents in a sealed envelope, with the envelope and each page of the documents marked "Confidential."

- The interest of the consumers of MERALCO is sufficiently protected by the review and evaluation of the rates under the PSA by the Honorable Commission, without the need to disclose the contents of ANNEXES "W", "X" and Series and "CC". The reasonableness and transparency of the prices of electricity is to be assured by the Honorable Commission through its own review and verification of the foregoing documents sought to be afforded confidential treatment in the evaluation and handling thereof.