

# Introduction to Entrepreneurship and Innovation

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## CHAPTER 9

Networking and Choosing Your New-Venture Team

# Networking

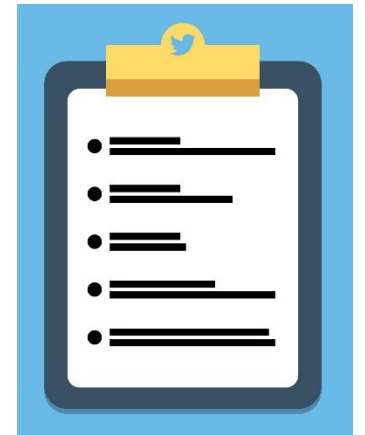
When you begin thinking about your new and exciting entrepreneurial venture, you may feel somewhat isolated. No matter which way you turn, you eventually come to the end of your limited community, and what you have is not enough. Now is the time to start building bridges and connecting yourself with the greater business community.

For an entrepreneur, **networking** is finding and establishing relationships with business professionals with whom you can exchange information, ideas, and products

# Networking... cont.

A good way to get started is to begin brainstorming a list of people who can help you along the entrepreneurial path. These potential trusted advisors will be beneficial to you as you develop your idea and start your business. In these early stages, you will encounter challenges and obstacles in many areas. Having a “go-to” list of dependable consultants can help you find solutions, reduce mistakes, and hasten your success in your new business.

On the other hand, you too have knowledge and skills. You too can be a valuable resource. That is why you are starting your own business or developing a new product. Become known as the “go-to” person: the person others will seek out and put on their list of experts.



# Networking... cont.



During your college years, you will have many opportunities to make connections with new people. Taking advantage of these opportunities allows you to perfect your skills in initiating and developing new and even lifetime connections. You can establish new friendships with roommates, classmates, social club members, special interest groups, academic organizations, competitive athletic teams, and many others. All of these groups not only encourage new social relationships but also foster opportunities for developing and improving leadership skills.

# Networking... cont.

Developing your professional network can also go through the internet and social networks. Be careful, there are networks to **communicate about your company** and its service offer (Facebook, Twitter ...) and those **to develop your own network as a leader**. LinkedIn, for example, can communicate with other entrepreneurs and **learn about event dates**. Social networks are effective vectors for developing your professional network as an entrepreneur.



# Liability of Newness

← refers to The threat of early failure

New ventures have a high propensity to fail.

The **high failure rate is due in part to the liability of newness**, which refers to the fact that new companies often falter because the people involved can't adjust fast enough to their new roles and because the firm lacks a track record of success.

Assembling a talented and experienced management team is one path that firms can take to overcome these limitations.

Also attending workshops, boot camps, and entrepreneurial events, or joining an accelerator can help in reducing the risks that comes with newness



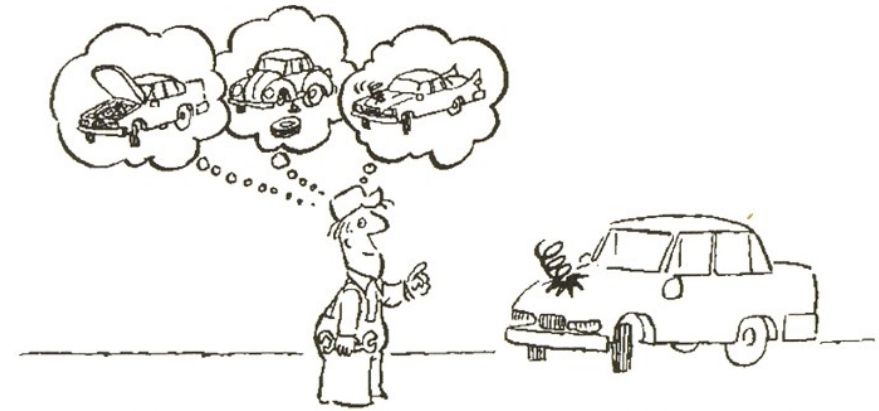
# Key Elements of a Successful Founding Team

1. Founders that have **worked together before**, as opposed to those that are working together for the first time, have an edge.
2. Founders are **heterogeneous**, meaning that they are diverse in terms of their abilities and experiences, rather than homogeneous, meaning that their areas of expertise are very similar to one another.
3. The **number of founders is not too big**. If a founding team is too big, communication problems may happen and increase potential for conflict. The sweet spot is two to three founders.



# Common Mistakes in Putting Together a New-Venture Team (1 of 2)

- Placing unqualified friends or family members in management positions.
- Assuming that previous success in other industries automatically translates to your venture's industry.
- Presenting a “one person team” philosophy—meaning that one person (or a small group of people) is wearing all hats with no plans to bolster the team.





# Common Mistakes in Putting Together a New-Venture Team (2 of 2)



- Hiring top managers without sharing ownership in the firm.
- Not disclosing or talking dismissively of management team skill or competency gaps.
- Vague or unclear plans for filling the skill or competency gaps that clearly exist.



# Who should be in your new-venture team?

## Key employees and managers:

Start-ups vary in terms of how quickly they need to add personnel.

- In some instances, the founders will work alone for a period of time. In other instances, employees are hired immediately.
- A **skills profile** is a chart that depicts the most important skills that are needed and where skills gaps exist in a new firm.

	Executive Leadership	Store Operations	Supply Chain Management	Marketing and Sales	HR/Recruiting	Accounting and Finance	Community Relations	Information Systems	Franchise Operations
Jack Petty	X								
Peggy Wells		X				X			
Jill Petersen				X					
Cameron Ivey			X						
Gap 1					O				
Gap 2							O		
Gap 3									O

X = position filled  
O = position vacant

# Who should be in your new-venture team?

## Accountant:

- Businesses and their owners must be in sound financial health, or the
- company risks being closed because of financial difficulties.
- Accountants are trained to recognize and treat symptoms and issues associated with the financial health of a company.
- Accountants can determine the likely financial health of a business before it begins.
- Also, In the early stages of planning a business, the entrepreneur's personal financial history is the only financial picture that investors, creditors, vendors, or lenders can review. Having a professional accountant prepare and file personal tax returns establishes credibility and confidence
- Accountants assist in creating a pro forma, a financial statement that shows how much and where monies will be collected and spent in the early stages of business creation.
- Many times, approval for a loan or a building lease will depend on reasonable and sound projections of future sales and expenses. Too often, entrepreneurs overestimate income and underestimate expenses. An accountant frequently brings a reality check to the entrepreneur's wishful thinking and keeps income and expense projections credible.

# Who should be in your new-venture team?

## Attorney:

- Entrepreneurs must first determine what legal issue they need help with. Then, they would determine the cost of getting legal help as well as the cost of not getting legal help.
- One of the first areas where you should consult an attorney is in determining the type of business structure. Any business structure has both legal and tax ramifications. A business attorney should help the entrepreneur select the legal structure that is best for the business, the industry, and the entrepreneur.
- Attorneys can give legal advice about things such as branding, patents, trademark registration, and contracts. For example, will the entrepreneur be leasing a space or purchasing a standalone building? If leasing, who is responsible for the safety and well-being of employees and for protection of equipment and inventory?
- Another volatile area for new businesses involves employees and employment law. New business owners may also be new to management. Ignorance of employment laws can be very costly, especially if a disgruntled ex-employee seeks protection from state and federal agencies. Formulating company and employee policies is very important.
- Although a good attorney is necessary to many aspects of a business, the entrepreneur also needs to set limits and not allow the attorney to tread into the owner's domain. An entrepreneur should always be ready to terminate the relationship with anyone, including an attorney, who seems to be interfering in areas beyond their domain.