UNIT 11: The enterpreneurial team

New businesses are often started by a small group of people – which we refer to as the entrepreneurial team. Meanwhile, other people start new businesses by themselves – which means there is an entrepreneurial team of one. And it's important to make a distinction between a start-up company founded by one person with the intent of hiring more people at some point and someone starting a business which is intended to stay a one-person business. Both call for entrepreneurial thinking, but the single-person business avoids many of the complexities of a traditional start-up company. For example, the entrepreneurial team.

For the rest of you, who already have a team, or plan to have one, you need to treat the team as one of those components of entrepreneurship to juggle. Entrepreneurial teams often form almost by accident. For example, you might be taking this course along with some of your classmates, and you might end up starting a new company together. It's certainly important for enterpreneurial team members to know and trust each other. So starting a company with friends makes a good deal of sense.

There are some crucial things that entrepreneurship team members should agree on:

They should agree on a vision for the company. What does the company hope to achieve? All team members should tell roughly the same story about the company.

They should agree on whether they plan to stay small or strive for global domination. If the team members don't agree on this, they won't agree on crucial decisions about things like hiring and facilities.

They should agree on the level of commitment they plan to put into the business. Having one team member who works 14-hour days and another who only thinks about the business on Tuesday afternoons is a sure recipe for friction.

There is a lot to be said for including some diversity in the entrepreneurship team. A team made up of people who are all the same age, all the same gender, and all have the same educational background might not be the best recipe for success. If possible, you want to include at least one person with past entrepreneurship experience on your team. You want to have both genders represented. And, perhaps most important, you want to bring a diversity of expertise and experience to the table by including people with different education and work backgrounds.

Besides the team, there are some other groups of people you need to anticipate.

If you're interested in entrepreneurship because you want to be your own boss, you should stick with a single-person firm. If you're founding a company with a team, you will never really be your own boss, even if you are the leader of the team. There are four groups of people that will exert significant influence on the company – and that's NOT including customers.

First, there is the entrepreneurial team, as I already mentioned. Every team member will have his or her own ambitions and ideas about how to be successful. That's generally a good thing, but can also be the cause for friction. So relationships among team members need to be nurtured.

Second, there are employees. If your company gets off the ground and the entrepreneurial team can't handle everything anymore, you will eventually want to hire employees or contractors. In the knowledge economy, employees might soon become your most valuable resource. So relationships with employees need to be carefully nurtured too.

The third group is investors. Obviously, the entreprenurial team members may invest in the company and thus become shareholders. In fact it's not uncommon for the first investors to be the entrepreneurial team. But if the time comes, sooner or later, when you need additional money, you will look for external investors. In fact money is another key component of entrepreneurship that needs to be juggled. We will deal specifically with financing new ventures in the next unit, but in the meantime, we will focus on the group of people or organizations that invest in your company. These people will most likely want to get involved in decision-making.

And that brings us to the fourth group of people who will have a significant influence on your business. The Board of Directors. When investors invest in your company, they will expect there to be, or they will put in place, a Board of Directors, whose sole purpose is to guard the interests of shareholders. If you and your fellow entrepreneurial team members are shareholders, this means the Board of Directors should guard your interests as well.

We've now entered the realm of corporate governance.

At the top we have Shareholders. They own the company.

Next we have the Board of Directors, and it is the Shareholders who elect the Board of Directors – and dismiss it if they are not happy with it.

Next we have the people who manage the company. It is often the case that, at least in the early days, the entrepreneurial team members make up the management team. And the management team is subject to decisions made by the Board of Directors. So, that's why entrepreneurship is no guarantee that you will be your own boss. Basically, the management team is entrusted with using the capital provided by the shareholders to create value for those shareholders. To ensure that the management team is actually working to create value for shareholders, the Board of Directors provides guidance and ultimate decision making.

Managers report to the Shareholders at regular intervals. Usually, there is an Annual Meeting in which the managers present the company's financial statements to Shareholders.

Next are employees. They are managed by the managers and report to them. But employees also exert pressure on managers about things like pay and working conditions.

In fact managers are often subject to quite a bit of pressure from both customers and from society.

So even though managing a company can be a wonderful adventure, managers do tend to be pressured from all sides.