

CHAPTER 8

THE FOUNDING TEAM

Author's Note

Today, the majority of new ventures are started by teams. This is due to the complexity and rapid pace of today's marketplace. Technology has shrunk the global marketplace and brought our international competitors and partners closer. Technology has also changed the way we do business and the speed at which business activities occur so it is difficult for a solo entrepreneur to move quickly and effectively enough without a team of one sort or another.

Starting a new venture with a team allows the entrepreneur to gain expertise in all the functional areas of the business and start from a stronger position. This chapter explores the issue of putting together a team that will help the new venture succeed. The founding team is composed not only of the core members, those who hold an equity interest in the company, but also those who contribute to the business in a variety of ways—professional advisors, independent contractors, and others.

Learning Objectives

This chapter will give students an understanding of:

- The nature of the founding team
- The role that professional advisers play
- The role of the board of directors
- How outsourcing to independent contractors can extend the capabilities of the team

Supplementary Lecture Material

It Takes a Noodle

All it takes is one bad review at the right time and your business is on the skids. That's what Noodles & Co., a fast-food chain found out when a restaurant reviewer soundly criticized its Madison, Wisconsin, location saying that the concept was great, but the food was terrible. Revenues took a dive, and founder Aaron Kennedy decided it was time to pull the team together to figure out what was wrong.

One of the first problems identified was that Kennedy had started the business with no restaurant experience, on a shoestring, and without testing the concept. He was an opportunist, not an analyst, and he hadn't done his homework or put together a team that filled the gaps in his expertise and experience. So, better late than never, it was time to do some market research. The team went to Chicago to benchmark some noodle shops, then came back to the shop in Madison and compared the results. The findings were dismal. The Madison shop failed in every category.

Kennedy then identified the things that needed to be fixed and assigned them to his team, which now had two industry veterans on it. Within 60 days, the food quality had improved substantially and within a few more months, every problem on Kennedy's list had been dealt with. The store was breaking even. Noodles & Co. now has over 30 locations and is approaching \$30 million in sales.

Now the staff regularly reviews the list of things they used to do wrong to make sure they don't slip back into old habits.

Source: Kate O'Sullivan, "Using Your Noodle," Inc. Magazine, September 1, 2001.

Films to Rent

Reinventing the Corporation

Using a hypothetical corporation, this film brings together a panel of experts to wrestle with the issues of effective corporate governance and maximizing shareholder value.

www.films.com

57 minutes

Item: **BVL10430**

Format: **VHS**

List Price: **\$149.95**

Rental Price: **\$75.00**

Coaching the Team

This film features Warren Bennis and looks at the issue of teams in unstructured environments. It addresses motivation, leadership, discipline, and accountability.

www.films.com

Item: **BVL7219**

Format: **VHS**

List Price: **\$229.95**

Cases Relevant to This Chapter

Overnite Express

Beanos Ice Cream Shoppe

Highland Dragon

Roland International Freight Service

Answers to Issues to Consider

1. *For what kinds of businesses is starting as a solo entrepreneur sufficient? Are there advantages to starting even these types of businesses with a team?*

Team efforts have a higher rate of start-up success than solo ventures. You can share the start-up effort, share expertise, and share financial resources. Some service businesses, like consulting, can succeed as solo ventures, but bringing on additional partners either as equity stakeholders or strategic alliances can add a new dimension and capability to the business.

2. *What should an entrepreneur's strategy be for bringing on a personal board, an advisory board, and a board of directors?*

You should have an advisory board from the inception of the business and a board of directors if you use a legal form that requires one. Before the growth phase begins, it may be valuable to bring on a working board of directors. If you bring in outside investment, a formal board will be required and you may need to add the investor to your board. The personal board should be identified early in the development of the business idea. They are not stakeholders in the venture but provide personal, trusted advice to the entrepreneur.

3. *Attorneys are considered advocates; accountants are not. Why is this important for the entrepreneur to know?*

The rules and ethics by which accountants are bound do not permit advocacy, so your attorney must represent you no matter what you do; your accountant may not.

4. *How can you ensure you are using independent contractors correctly and in accordance with the law?*

Follow the IRS 20-point test for independent contractors and consult with an attorney.

5. *Suppose you are starting a technology consulting firm that does custom programming. What kinds of independent contractors can you use to help you start this venture?*

You can outsource programming, payroll, and technical expertise.

Suggestions for Experiencing Entrepreneurship

1. *Interview an entrepreneur who started a venture as a soloist; then visit an entrepreneurial venture started by a team (two or more people). Based on your interviews, what are the advantages and disadvantages of each approach?*

If the student wishes to do a direct comparison, he or she should choose two businesses in the same industry and in the same place on the value chain, one started by a team, the other by a soloist. You can have the student prepare a brief report on such things as their start-up strategies, level of growth, size, and other factors that would capture any potential differences in the businesses.

2. *Choose a lawyer, accountant, or banker to interview as a potential professional advisor to your business. What information will you need to get from him or her to make your decision?*

In general, students will want to gather information on the advisor's expertise, whether they have worked with small businesses, and what they feel they can contribute to the entrepreneur's success. Students should also recognize the need to spend time with this person to make sure they share the same core values and view of business.