principles of

Entrepreneurship

>>>> 5. Go It Alone or Team Up?

One important choice that new entrepreneurs have to make is whether to start a business alone or with other entrepreneurs. They need to consider many factors, including each entrepreneur's personal qualities and skills and the nature of the planned business.

In the United States, for instance, studies show that almost half of all new businesses are created by teams of two or more people. Often the people know each other well; in fact, it is common for teams to be spouses.

There are many advantages to starting a firm with other entrepreneurs. Team members share decision-making and management responsibilities. They can also give each other emotional support, which can help reduce individual stress.

Companies formed by teams have somewhat lower risks. If one of the founders is unavailable to handle his or her duties, another can step in.

Team interactions often generate creativity. Members of a team can bounce ideas off each other and "brainstorm" solutions to problems.

Studies show that investors and banks seem to prefer financing new businesses started by more than one entrepreneur. This alone may justify forming a team.

Other important benefits of teaming come from combining monetary resources and expertise. In the best situations, team members have complementary skills. One may be experienced in engineering, for example, and the other may be an expert in promotion.

In general, strong teams have a better chance at success. In *Entrepreneurs in High Technology*, Professor Edward Roberts of the Massachusetts Institute of Technology (MIT) reported that technology companies formed by entrepreneurial teams have a lower rate of failure than those started by individuals. This is particularly true when the team includes a marketing expert.

Entrepreneurs of different ages can create complementary teams also. Optimism and a "can-do" spirit characterize youth, while age brings experience and realism. In 1994, for example, Marc Andreessen was a talented, young computer scientist with an innovative idea. James Clark, the founder and chairman of Silicon Graphics, saw his vision. Together they created Netscape Navigator, the Internet-browsing computer software that transformed personal computing.

But entrepreneurial teams have potential disadvantages as well. First, teams share ownership. In general, entrepreneurs should not offer to share ownership unless the potential partner can make a significant contribution to the venture.

Teams share control in making decisions. This may create a problem if a team member has poor judgment or work habits.

Most teams eventually experience serious conflict. This may involve management plans, operational procedures, or future goals. It may stem from an unequal commitment of time or a personality clash. Sometimes such conflicts can be resolved; in others, a conflict can even lead to selling the company or, worse, to its failure.

It is important for a new entrepreneur to be aware of potential problems while considering the advantages of working with other entrepreneurs. In general, the benefits of teaming outweigh the risks.