

Entrepreneurship

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Lecture 9

جامعة الجميع الذكية

تسعى لتكون الكيان الأول الذي يتبنى مبدأ المجتمع التعليمي
التعاوني ويقدم العلم مقابل العمل لتنمية وبناء المجتمعات.

Building a New-Venture Team



جامعة الجميع الذكية
EVERYONE'S SMART UNIVERSITY

Learning Objectives

1

Explain the challenges involved in the entrepreneur's role as leader and what it takes to be a successful leader.

2

Describe the importance of hiring the right employees and how to avoid making hiring mistakes.

3

Explain how to create a company culture that encourages employee retention.

4

Explain how to reward employees and encourage retention.

- To be successful, an entrepreneur must assume a wide range of roles, tasks, and responsibilities, but none is more important than the role of leader.
- **Leadership** is the process of influencing and inspiring others to work to achieve a common goal and then giving them the power and the freedom to achieve it.
- Without leadership ability, entrepreneurs—and their companies—never rise above mediocrity.
- Entrepreneurs can learn to be effective leaders, but the task requires dedication, discipline, and hard work.

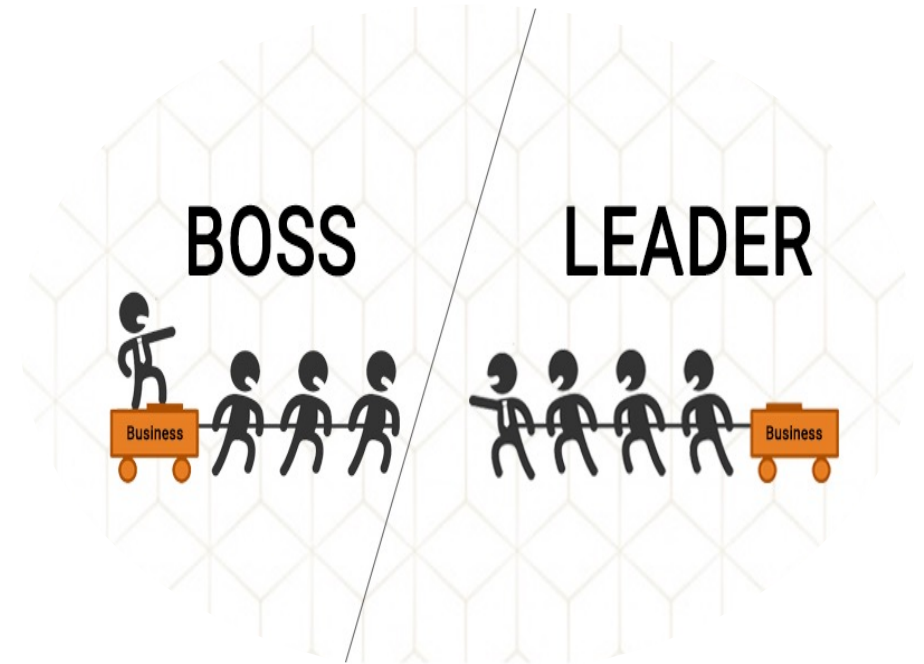
Characteristics of leaders

- ***Innovative.*** Leaders must step out of their own comfort zones to embrace new ideas; they avoid the comfort of complacency.
- ***Passionate.*** One of entrepreneurs' greatest strengths is their passion for their businesses. Members of their team feed off of that passion and draw inspiration from it.
- ***Willing to take risks.*** Playing it safe is not an option for any company that wants to be solvent ten years from now.
- ***Adaptable.*** Although leaders must stand on a bedrock of resolute values, they must adapt their leadership styles to fit the situation and the people involved.



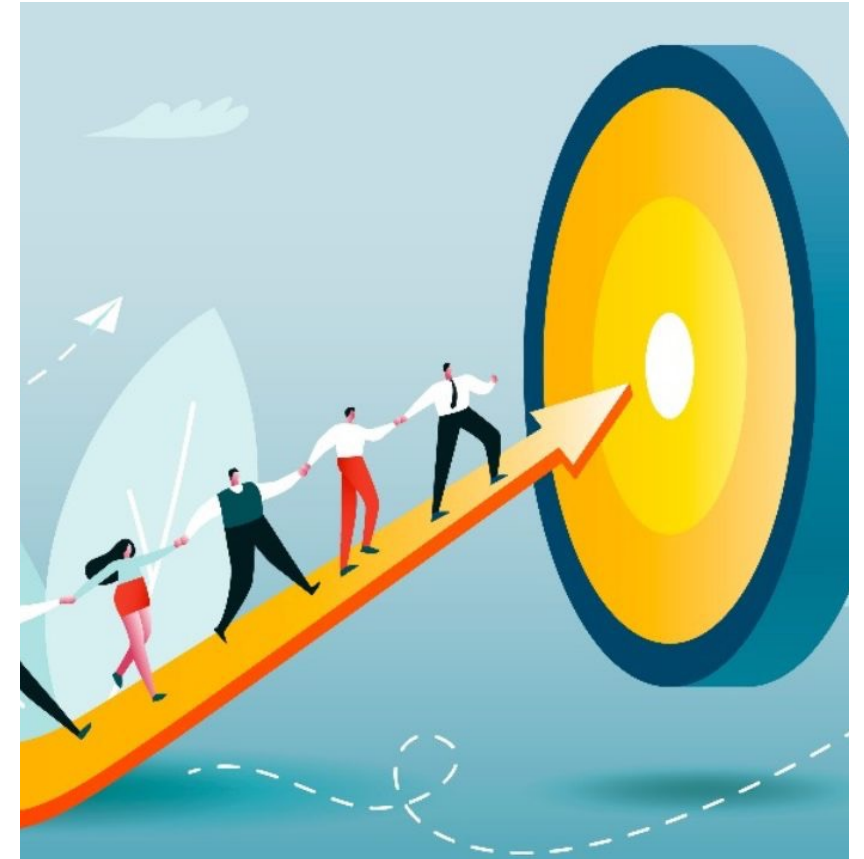
Managers or leaders?

- Management and leadership are not the same, yet both are essential to a company's success.
- Leadership without management is unbridled; management without leadership is uninspired. Leadership gets a small business going; management keeps it going.
- In other words, **leaders are the architects of small businesses; managers are the builders.**



Leaders' behavior

- They define and then constantly reinforce the vision they have for the company.
- They create a set of values and beliefs for employees and passionately pursue them.
- They establish a culture of ethics.
- They develop a strategic plan that gives the company a competitive advantage.
- They respect and support their employees.
- They set the example for their employees.
- They are authentic.
- They create a climate of trust in the organization.
- They build credibility with their employees.
- They focus employees' efforts on challenging goals and keep them driving toward those goals
- They provide the resources employees need to achieve their goals.



Leaders' behavior (continue)

- They communicate with their employees.
- They value the diversity of their workers
- They celebrate their workers' successes.
- They are willing to take risks.
- They encourage creativity among their workers.
- They maintain a sense of humor.
- They create an environment in which people have the motivation, the training, and the freedom to achieve the goals they have set.
- They create a work climate that encourages maximum performance.
- They become a catalyst for change.
- They develop leadership talent.
- They keep their eyes on the horizon.



What is the best leadership style?

- Research suggests that there is no single “best” style of leadership
- The style a leader uses depends, in part, on the situation at hand.
- Some situations are best suited for a participative leadership style, but in others, an authoritarian style actually may be best
- **Servant leadership**: a leadership style in which a leader takes on the role of servant first and leader second.

What is the best leadership style?

- Servant leadership are concerned more about empowering others in the organization than about enhancing their own power bases.
- Servant-leaders ask:
 - What do people need?
 - How can I help them to get it?
 - What does my organization need to do?
 - How can I help my organization to do it?
- Rather than embarking on a quest for personal power, servant-leaders embark on a quest to identify and meet the needs of others.

Three vital tasks of a leader

1. Hire the right employees for the entrepreneurial team and constantly improve their skills.
2. Create a culture for motivating and retaining employees.
3. Plan for “passing the torch” to the next generation of leadership.



What if we have more than one founder for the business?

- Founder or Founders
 - The characteristics of the founder or founders of a firm and their early decisions have a significant impact on the manner in which the new-venture team takes shape.
- Size of the Founding Team
 - Studies have shown that 50% to 70% of all new ventures are started by more than one individual.
 - Experts disagree about whether new ventures started by a team have an advantage over those started by a sole entrepreneur.

Chapter 09

Key Elements of a Successful Founding Team



- Heterogeneous rather than homogenous teams tend to be more effective.
- This team is starting an educational software company.
- The young man on the far left is a former teacher, the man seated is a software engineer, the woman is a former middle-school vice-principal, and the man at the right is a graphic designer.



- Advantages
 - Teams bring more talent, resources, and ideas to a new business.
 - Teams bring a broader and deeper network of social and professional contacts to a new business.
 - The psychological support that the cofounders of a business can offer one another can be an important element of a new venture's success.



- Disadvantages
 - Team members may not get along.
 - If two or more people start a firm as “equals,” conflicts can arise when the firm needs to establish a formal structure and designate one person as the CEO.
 - If the founders have similar areas of expertise, they may duplicate rather than complement one another.
 - Team members can easily disagree in terms of work habits, tolerances for risk, levels of passion for the business, ideas on how the business should be run, and similar key issues.

Building an entrepreneurial team

- ❖ Study (Harvard Business Review) shows that 80% of employee turnover is caused by bad hiring decisions.
- ❖ Most common causes of poor hiring decisions:
 - Relying on candidate's description of themselves.
 - Failing to follow a consistent, evidence-based selection process.
 - Failing to provide candidates with sufficient information about the job.
 - Succumbing to pressure to fill a job quickly.
 - Failing to check candidates' references.

Building an entrepreneurial team

- High employee turnover rates cost companies as well.
- The voluntary turnover rate for employees is 16.6 %, which means that the average employee's tenure at a company is about six years.
- The average cost that a company incurs when an employee leaves is 20 % of the employee's annual salary (for employees who earn less than \$50,000 annually) and 213 % of the annual salary for an executive who leaves.
- A study by IBM reports that 71 percent of CEOs across the globe say the most important factor in their companies' ability to provide sustained economic value to their customers is the quality of their employees.
- Smart business owners recognize that the companies that have the most talented, best-trained, and most motivated workforces will be the winners.

- Provide rewarding, challenging work.
- Pay employees fairly.
- Provide training opportunities and mentoring relationships.
- Offer flexible work schedules.
- Provide simple (and inexpensive) rewards such as thank-you notes for extra effort or “good job” notes for jobs well done.
- Conduct exit interviews when employees leave to determine areas that require improvement.

How to Hire Winners

1. **Commit to hire the best talent.**
2. **Elevate recruiting to a strategic position.**
3. Create practical job descriptions and job specifications.
4. Plan an effective interview.
5. Conduct the interview



- 1. COMMIT TO HIRING THE BEST TALENT:** Smart entrepreneurs are not threatened by hiring people who may be smarter and more talented than they are. What skill sets do CEOs say are essential to employees' success? According to the IBM study of global CEOs, the most important skills are the ability to collaborate with others (75 %), the ability to communicate effectively (67 %), creativity (61 %), flexibility (61 %), and analytical and quantitative skills (50 %).
- 2. ELEVATE RECRUITING TO A STRATEGIC POSITION IN THE COMPANY** The recruiting process is the starting point for building quality into a company. Assembling a quality workforce begins with a sound recruiting effort. By investing time and money in the crucial planning phase of the staffing process, entrepreneurs can generate spectacular savings down the road by hiring the best talent.

- Look inside the company first.
- Look for employees with whom your customers can identify.
- Make employment advertisements stand out.
- Use multiple channels to recruit talent.
- Encourage employee referrals.
- Recruit on campus.
- Forge relationships with schools and other sources of workers.
- Recruit “retired” workers.
- Consider using offbeat recruiting techniques.
- Offer what workers want.



Chapter 09

Affordable alternatives Benefits

Although small companies typically cannot match their larger rivals on the employee benefits packages they offer, with some creativity entrepreneurs can provide less expensive options that increase employee retention, motivation, and morale.

Perhaps You Cannot Offer . . .

Tuition reimbursement for college classes

Paid leave

Comprehensive health insurance

An on-site fitness center

401(k) retirement plan with employer match

Counseling services

Child care subsidies

But You Might . . .

Implement a flex-time schedule that allows employees to attend classes at a nearby college or university

Use job sharing so that two part-time employees share one full-time job

Hold a wellness day in which a local health care provider performs basic health screens for employees

Set up a basketball goal in a corner of the parking lot or a ping-pong table in the office or negotiate a reduced fee for employees at the local YMCA

Invite a local investment adviser to provide financial counseling and retirement advice to employees

Allow employees to bring their dogs to work; research shows that allowing pets in the workplace reduces stress and increases job satisfaction

Negotiate discounts at a local preschool for employees' children or allow employees to telecommute from home several days a week

Source: Based on Paula Andruss, "Affordable Alternatives," *Entrepreneur*, May 2012, p. 57; "Pets at Work Keep Workers Happy," *U.S. News and World Report*, April 2, 2012, <http://health.usnews.com/health-news/news/articles/2012/04/02/pets-at-work-keep-workers-happy>.

- Full or Part-time Employee
 - Someone who works for a business, at the business's location, utilizing the business's tools and equipment and according to the business's policies and procedures.
- Intern
 - An intern is a person who works for a business as an apprentice or trainee for the purpose of obtaining practical experience.

- Freelancer (or contractor)
 - A person who is in business for themselves, works on their own time with their own tools and equipment, and performs services for a number of different clients.
- Virtual Assistant
 - A freelancer who provides administrative, technical, or creative assistance to clients remotely from a home office.

How to Hire Winners (continue)

1. Commit to hire the best talent.
2. Elevate recruiting to a strategic position.
3. Create practical job descriptions and job specifications.
4. Plan an effective interview.
5. Conduct the interview



- Business owners must recognize that what they do *before* they interview candidates for a position determines to a great extent how successful they will be at hiring winners.
- The first step is to perform a **job analysis**
- **Job analysis:** the process by which a firm determines the duties and nature of the jobs to be filled and the skills and experience required of the people who are to fill them.
 - Step 1: Create a **job description**
 - Step 2: Create a **job specification**

Step 1: Create a job description

- **Job description:** A written statement of the duties, responsibilities, reporting relationships, working conditions, and materials and equipment used in a job.
- **A results-oriented job description** explains what a job entails and the duties the person filling it is expected to perform.
- **A detailed job description** includes a job title, job summary, primary responsibilities and duties, nature of supervision, the job's relationship to others in the company, working conditions, the job's location, definitions of job-specific terms, and a description of the company and its culture.

Step 2: Create a job specification

- **Job specification:** Written statement of the qualifications and characteristics needed for a job, stated in terms such as education, skills, and experience.
- A job specification shows the small business manager the kind of person to recruit and establishes the standards an applicant must meet to be hired.
- In essence, it is a written “success profile” of the ideal employee. Does the person have to be a good listener, empathetic, well organized, decisive, and a “self-starter”? Should he or she have experience in Python programming?
- One of the best ways to develop this success profile is to study the top performers currently working for the company and to identify the characteristics that make them successful.

Chapter 09

Linking Tasks from a Job Description to the Traits Necessary to Perform a Job Successfully

Job Task	Trait or Characteristic
Generate and close new sales	“Outgoing”; persuasive; friendly
Make 15 “cold calls” per week	“Self-starter”; determined; optimistic; independent; confident
Analyze customers’ needs and recommend proper equipment	Good listener; patient; empathetic
Counsel customers about options and features needed	Organized; polished speaker; “other oriented”
Prepare and explain financing methods	Honest; “numbers oriented”; comfortable with computers and spreadsheets
Retain existing customers	Customer oriented; relationship builder



How to Hire Winners (continue)

1. Commit to hire the best talent.
2. Elevate recruiting to a strategic position.
3. Create practical job descriptions and job specifications.
4. **Plan an effective interview.**
5. Conduct the interview



Plan an Effective Interview

- Involve others in the interview process (employees with whom the prospect would be working.)
- Develop a series of core questions and ask them of every job candidate.
- Ask open-ended questions rather than questions calling for “yes or no” answers.
- Create hypothetical situations candidates would encounter on the job and ask how they would handle them :**Situational interviews**
 - **Situational interview** :an interview in which the interviewer gives candidates a typical job-related situation (e.g., a job simulation) to see how they respond to it.
- Probe for specific examples in the candidate’s work history that demonstrate the necessary traits and characteristics (“tell me more...”)
- Ask candidates to describe a recent success and a recent failure and how they dealt with them.
- Arrange a “non-interview” setting that allows others to observe the candidate in an informal setting (Giving candidates a plant tour, setting up a coffee break, or taking them to lunch).

Example: Interview Questions for Candidates for a Sales Representative Position

Interview Questions for Candidates for a Sales Representative Position

Trait or Characteristic	Question
Outgoing; persuasive; friendly; self-starter; determined; optimistic; independent; confident	How do you persuade reluctant prospects to buy?
Good listener; patient; empathetic; organized; polished speaker; “other” oriented	What would you say to a fellow salesperson who was getting more than his share of rejections and was having difficulty getting appointments?
Honest; customer oriented; relationship builder	How do you feel when someone questions the truth of what you say? What do you do in such situations?
Other questions:	If you owned a company, why would you hire yourself? If you were head of your department, what would you do differently? How do you recognize the contributions of others in your department? If you weren't in sales, what other job would you be in?

How to Hire Winners (continue)

1. Commit to hire the best talent.
2. Elevate recruiting to a strategic position.
3. Create practical job descriptions and job specifications.
4. Plan an effective interview.
5. **Conduct the interview**





- **Break the ice** / Goal: diffuse nervous tension.
- **Ask questions.**
 - **Puzzle interviews:** an interview that includes offbeat questions to determine how job candidates think and reason and to judge their capacity for creativity.
 - Remember the 25/75 Rule. (25% talking and 75% listening)
 - Be respectful and keep it legal!
- **Sell the candidate on the company.**
 - The best candidate will have other job offers.
 - Convince the best candidate that your company is a great place to work.

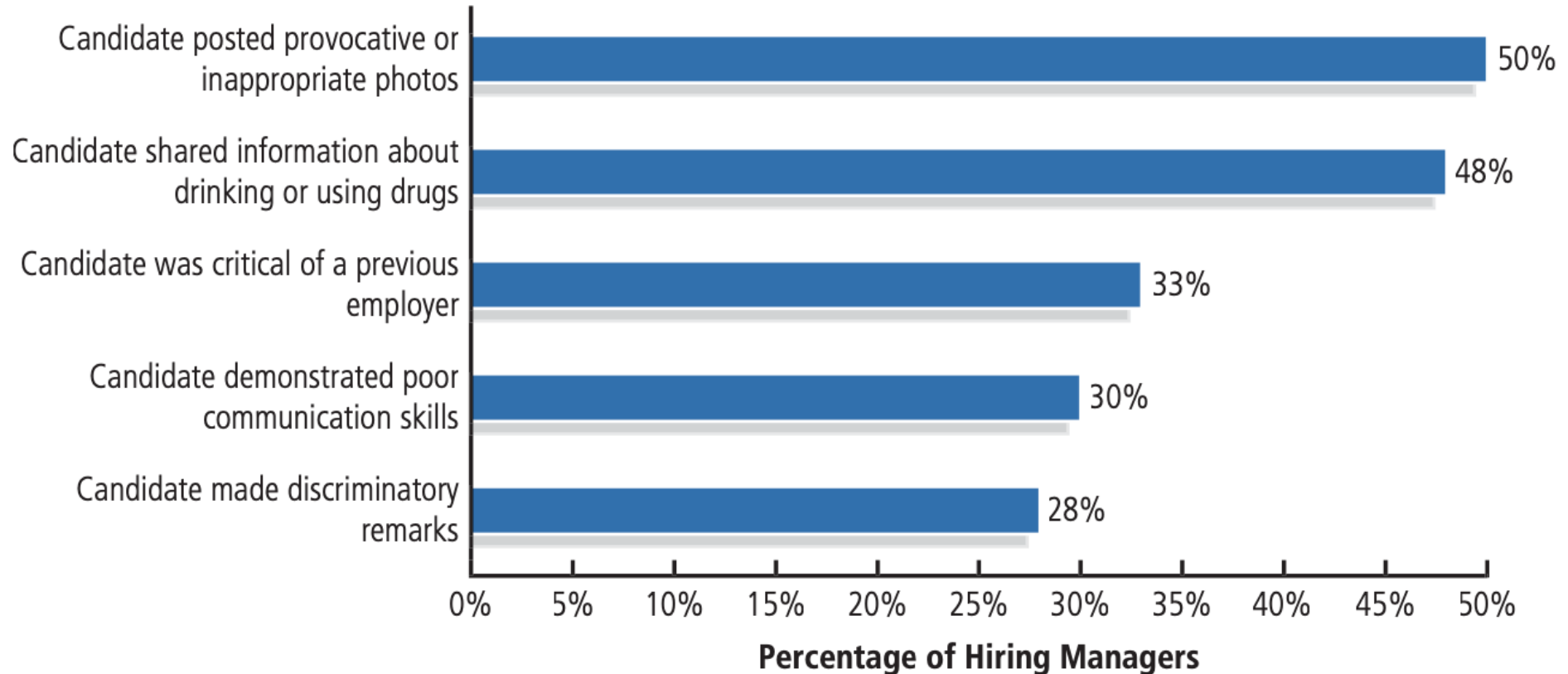
- Create practical job descriptions and job specifications.
- Plan an effective interview.
- Conduct the interview.
- **Contact references and conduct a background check.**



- Checking an applicant's references is an important part of protecting a company against making a “bad hire.”
- Is it *really* necessary? Yes!
- According to a CareerBuilder survey, 53% of all candidates either exaggerate or falsify information about their previous employment on their resumes.



Why Hiring Managers Rejected Job Candidates' after Checking Their Social Media Profiles



- **Culture:** Distinctive, unwritten, informal code of conduct that governs the behavior, attitudes, relationships, and style of an organization.
- “The way we do things around here.”
- In small companies, culture plays as important a part in gaining a competitive edge as strategy does.



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- **Job simplification:** the type of job design that breaks work down into its simplest form and standardizes each task like in an assembly line (impersonal, monotonous, and boring work).
- **Job enlargement (horizontal job loading):** the type of job design that adds more tasks to a job to broaden its scope. The idea is to make the job more varied and to allow employees to perform a more complete unit of work.
- **Job rotation :** the type of job design that involves cross training employees so that they can move from one job in the company to others, giving them a greater number and variety of tasks to perform. As an incentive for workers to learn to perform other jobs within an operation, some companies offer skill-based pay, a system under which the more skills workers acquire, the more they earn.
- **Job enrichment (vertical job loading):** the type of job design that involves building motivators into a job by increasing the planning, decision-making, organizing, and controlling functions that workers perform.

- **Job enrichment (continue)**
- To enrich employees' jobs, a business owner must build five core characteristics into them:
 1. **Skill variety** is the degree to which a job requires a variety of different skills, talents, and activities from the worker. Does the job require the worker to perform a variety of tasks that demand a variety of skills and abilities, or does it force him or her to perform the same task repeatedly?
 2. **Task identity** is the degree to which a job allows the worker to complete a whole or identifiable piece of work. Does the employee build an entire piece of furniture (perhaps as part of a team), or does he or she merely attach four screws?
 3. **Task significance** is the degree to which a job substantially influences the lives or work of others—other employees or final customers. Does the employee get to deal with customers, either internal or external? One effective way to establish task significance is to put employees in touch with customers so they can see how customers use the product or service they make.

- **Job enrichment (continue)**

4. **Autonomy** is the degree to which a job gives a worker the freedom, independence, and discretion in planning and performing tasks. Does the employee make decisions affecting his or her work, or must he or she rely on someone else (e.g., the owner, a manager, or a supervisor) to “call the shots”? At Intuit, employees have the autonomy to spend 10 percent of their time working on projects they believe will benefit the company.
5. **Feedback** is the degree to which a job gives the worker direct, timely information about the quality of his or her performance. Does the job give the employee feedback about the quality of his or her work, or does the product (and all information about it) simply disappear after it leaves the worker’s station?

- **Flextime:** an arrangement under which employees work a normal number of hours but have flexibility about when they start and stop work.
- **Job sharing:** a work arrangement in which two or more people share a single full-time job.
- **Flexplace:** a work arrangement in which employees work at a place other than the traditional office, such as a satellite branch closer to their homes or at home.
- **Telecommuting :** an arrangement in which employees working remotely use modern communications equipment to connect electronically to their workplaces.

Motivating Employees to Higher Levels of Performance: Rewards and Compensation

- The key to using rewards to motivate workers is tailoring them to the needs and characteristics of individual workers.
- Money is an effective motivator ...up to a point.
- **Pay-for-performance compensation systems:** compensation systems in which employees' pay depends on how well they perform their jobs.
- **Profit-sharing plan:** a reward system in which employees receive a portion of the company's profits.
- **Open-book management:** a system in which entrepreneurs share openly their companies' financial results with employees. The goal is to teach employees how their job performances have a direct impact on profits and to give them an incentive for improving the company's bottom line
- **Stock options:** a plan under which employees can purchase shares of a company's stock at a fixed price.
- **Cafeteria benefit plan:** a plan under which employers provide certain basic benefits and then allocate a specific dollar amount for employees to select the benefits that best suit their needs.



- Intangible rewards can be powerful, yet inexpensive, motivators.
 - Praise
 - Recognition
 - Celebrations
- Entrepreneurs tend to rely on non- monetary rewards.

- Leadership is the process of influencing and inspiring others.
- Leadership shapes company culture.
- The decision to hire a new employee is an important one for every business, but its impact is magnified many times in a small company. Every new hire a business owner makes determines the heights to which the company can climb—or the depths to which it will plunge.
- To avoid making hiring mistakes, entrepreneurs should develop meaningful job descriptions and job specifications, plan and conduct an effective interview, and check references before hiring any employee.

thanks for
listening!