

ENTREPRENEUR: BETTER RICH THAN KING?

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A few weeks ago, through the Newsletter of < a href="http://www.startuplessonslearned.com/" target="_blank" rel="noopener">Eric Ries, I was made aware of the existence of a study of interest to entrepreneurs carried out by e professor [Noam Wasserman](#) in his new book "The founder's dilemmas: anticipating and avoiding the pitfalls that can sink a statue". This study performs an analysis of data from more than 10,000 entrepreneurs reaching some interesting conclusions.

One of them, which the author calls the rich-versus-king compromise, concludes that entrepreneurs who maintain greater control of their company build lower-valued companies. The following graph shows the results:

It is true that the inference can be bidirectional, that is, that entrepreneurs who run companies with high valuations also tend to delegate part of the control more frequently than entrepreneurs with companies with lower valuations. In fact, for companies that do not record obvious growth (in billing or valuation) it may even be difficult to delegate this control.

The question for entrepreneurs is key: do I share or not share my project? Do I prefer to have control of my project or delegate responsibilities? How do I value my project? In certain forums the [Gollum's term for entrepreneur](#) referring to someone who wants "his project, his treasure" for himself.

In a second derivative, Eric Ries points to an even more interesting aspect: The need for the business project to somehow accommodate the possibility of having "dynamic splits", that is, a dynamic project distribution.

In the highly dynamic environment in which technology startups operate today, stake management can be a key process in the success of the project. Project participants can enter or leave the project, take roles of greater or less relevance depending on the moment. Entrepreneurs must know how to delegate control and occupy different roles throughout development.

It is important to make an adequate distribution of shares of the business project at the beginning, but it can also be vital for the survival of the project that these shares can be accommodated throughout the project. Entrepreneurs and partners should be able to make these modifications to adapt the business structure to the different vicissitudes that the startup can go through: new rounds of financing, greater or lesser involvement of partners in the various stages of growth, etc. In practice, this is extraordinarily difficult to build and requires a great deal of flexibility, negotiation, and adaptation. Many companies, in fact, disappear due to friction in this regard.

In conclusion, it could be said that today, given the extraordinary speed of technological change, entrepreneurs who want to be kings are less likely to lead their startups to success.

And what do you want to be, king or rich?

There are no comments yet.