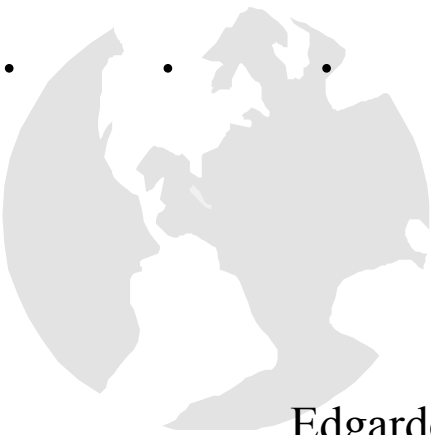




Entrepreneurs versus Executives at Socaba.com



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“The problems in this case are clear: lack of leadership, passivity on the part of all the players, and a failure to define roles and company direction. (Maruca)

Socaba.com as represented in the Harvard Business Review is an interesting example of a small successful startup going through the growing pains of expanding its staff, reorganizing control, and maturing into a corporate culture beyond the immediate circle of the three founders of the company. In order to continue being successful the founders now have to decide what their personal strengths and weaknesses are and apply themselves in corporate role commensurate with their talents. Failure to do so will not help Socaba which in turn will risk becoming one of the many promising startups which were never able to mature into viable long-term players. Furthermore, the founders despite their initial success as entrepreneurs in launching an idea into a successful small business by learning and adapting to the needs of the marketplace need to apply the same concept towards building a viable competent management team regardless of their future level of participation.

There sometime is a natural antagonism between entrepreneurs and seasoned executives. In the beginning entrepreneurs may be driven by a desire to innovate and change the world. They may pride themselves of being independent of the highly structured corporate world. This can be understood as a normal part of the euphoric culture that develops at the beginning stage of a startup which helps motivate entrepreneurs to work endless hours and make extreme sacrifices. However, many entrepreneurs as they become more established learn to put aside their juvenile anti-corporate feelings for the benefit of their company. This has not happened at Socaba.com despite best intentions. The latter situation has evolved into a counter-productive and expensive power struggle which if not contained will do irreparable damage to the company's market share.

Part of the problem with the seasoned managers they hired may actually stem from indecision and a lack of vision on how to grow the company on behalf of the founders of the company. It seems that there may have been a hidden expectation on behalf of the owners that by hiring seasoned managers that they would function similarly to themselves with the added benefit of years of institutional experience. Often it is very difficult to expect a manager to perform like an entrepreneur and vice-versa. Socaba still needs a reliable medium term consensus from the owners on how the company should go forward and the managers should be charged with the duty of implementing that vision. Over time those managers can develop into effective leaders who will help shape the culture and the focus of the company. If Socaba had been a beneficiary of institutional investing it would have been customary under circumstances such as these for the investors to hire a seasoned management team from top to bottom and sideline the founders of the company if necessary.



“The "all fingers in the pie" approach to running the company worked wonderfully for Socaba's leaders in the beginning, but it created an unhealthy merging of business and friendship later on. Dave, Joe, and Ryan have to separate their professional and personal lives. That means no business talk on friendship time, especially if the conversation touches on the other executives' responsibilities.” (Maruca)

Yohari windows or other personal/group dynamic analysis models may be helpful in getting the founders of Socaba to chart an operational course for the future (Yen). The methodology they ultimately decide to adopt to achieve this goal is not as important as the realization that change is imperative. Some successful entrepreneurs like Bill Gates and Paul Allen were able to maintain a very active grip on all company affairs during the first 10 years of Microsoft while leveraging the management expertise of experienced CEOs and other seasoned managers. Cisco founders Len Bosack and Sandy Lerner were brilliant in the initial stage of their company but felt uncomfortable in the aggressive growth stages that later followed which required a more corporate mentality. They eventually abandoned their management duties within their company and sold all of their shares. They made many millions by doing so and Cisco flourished into the multi-billion dollar player it is today. There are countless examples of other companies that achieved success by finding a balance that required their founders to compromise between the needs of their personality and that of their companies.

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