How entrepreneurs use symbols to convince skeptical investors

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Here is a repertoire of symbolic yet substantive actions frequently used by entrepreneurs, which you can likewise use to earn credibility and resources for your new business ventures.

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Garnering a base of needed resources — such as capital, investors, customers, board members, strategic partners or employees — is a key task for any business looking to realize an important project. Today, severe resource constraints, mainly in the form of liquidity, pose

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a growing challenge to even the most established companies. The liquidity crisis is forcing managers to be more proactive in encountering ways of finding and releasing resources.

Although “one euro saved is one euro toward the bottom line,” cost-cutting alone has its limits, and once that option has been exhausted, managers will only feel greater pressure to come up with fresh and viable ways of generating new business. The options are many, from internally launching new ventures aimed at known markets, to branching out into new markets, possibly in other countries.

Yet all these moves have one thing in common: They involve stepping into previously uncharted territory, and often require significant resources to do so. In boldly going where no one has gone before, these managers may find themselves in a situation quite familiar to startup entrepreneurs.

For entrepreneurs, the unknown has always been par for the course. They know that between them and the businesses they envision lies a huge credibility gap that must be bridged.

All resource providers, before they commit, seek some form of assurance, perhaps a record of accomplishment. This, by definition, does not exist in the case of any new business or venture. Without the support of wealthy and generous benefactors, entrepreneurs have, in effect, an extreme case scenario of the situation in which managers with new business ventures and projects now find themselves.

To increase their chances of success in a challenging business climate, managers could, therefore, look toward adopting an entrepreneurial mindset. But what does entrepreneurial management really involve?

Instead of trying to fit the behavior of entrepreneurs into existing theoretical models, we explored this question with open minds, looking for fresh explanations about what activities make some entrepreneurs more successful at gaining resources as opposed to others.

For our research, we repeatedly interviewed a significant sample of entrepreneurs in the U.K. who had launched a venture within the past 18 months or were planning to do so in the next six months. We made sure that our selected candidates were of similar educational background, knowledge, skill and experience, to make it easier to identify differences in entrepreneurs’ behaviors and how these differences mattered, while also making sure that we were not comparing apples with oranges — in short, that we were dealing with similar contexts and levels of difficulty.

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That yielded seven comparable cases. These cases reflected a variety of industries, ranging from financial services and tourism to software and renewable energy.

In addition to face-to-face interviews with the entrepreneurs themselves, we spoke to key resource providers, such as VC investors, suppliers, employees or board members, in order to find out which specific behaviors made them decide to commit their valuable resources, and which did not.

Symbolic yet substantive actions

Successful entrepreneurs distinguish themselves from their competing peers by paying a lot of attention to building credibility with resource providers. They do this through symbolic actions — meaning they convey subjective social meanings that matter to their counterparts.

Based on our research, we have identified a repertoire of actions common to successful entrepreneurs across the range of industries, one that we believe is also useful for other resource-constrained business owners and managers to consider and even to emulate.

These actions can be grouped into four broad categories of behavior:

1. symbolic actions that convey personal credibility
2. symbolic actions that convey professional organization
3. symbolic actions that convey organizational achievement
4. symbolic actions that convey the quality of stakeholder relationships

For each of these categories, we give examples of practical actions that carry symbolism, i.e., that communicate compelling storylines and leave lasting impressions, thereby establishing credibility in the eyes of wary resource providers.

But the symbolism that these actions carry does not mean that the actions are all fluff — obviously, experienced investors cannot be duped that easily. To convince, the storyline has to carry *substantive* as well as symbolic meanings.

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