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BUSINESS INSIGHT

ENTREPRENEURSHIP

Trust Me

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For entrepreneurs looking to gain credibility, it's often the little things that count

HOW do you persuade people to trust you when you don't have a track record? It's a question every entrepreneur faces—and it's especially critical these days as lenders and investors look for reasons not to hand over money. To figure out the answer, we interviewed key figures at 28 entrepreneurial ventures in the U.K., including founders, investors, board members, employees and customers.

What did we find out? Details matter. Many entrepreneurs are so focused on building the business or getting their product ready for market that they forget to do little things that send a message of credibility—such as making sure their Web site is polished and professional, or sending follow-up notes after a meeting with potential investors.

A SIGNAL TRIUMPH

- **The Quandary:** It's tough to persuade people to trust you when you don't have a track record—especially now that lenders and investors are looking for reasons not to hand over money.
- **The Missing Ingredient:** Many entrepreneurs are so focused on building the business or getting their product ready for market that they forget to do little things that send a message of credibility.
- **Moves That Matter:** In our study, the most successful founders were masters of symbolic gestures—from holding meetings in upscale venues to displaying industry awards on their Web site.

In our study, the most successful founders were masters at making symbolic gestures that signaled stability and credibility. They might hold meetings in upscale surroundings, for instance, or fill their Web page with testimonials from satisfied customers. Time and again, the entrepreneurs who practiced these tactics landed more funding than those who didn't.

What's more, this advice isn't for entrepreneurs only: Executives from established companies could learn some valuable lessons here, as well. With investors more skeptical than ever, executives must use any resource to convince them that they can be trusted—no matter how trivial the tactics may seem to managers with long careers and long-existing companies behind them.

We found that there were four areas where the right symbolic gestures were vital. Here's a look at those crucial spots—and what executives in businesses of all shapes and sizes can learn from them.

Personal Credibility

First and foremost, it's vital to reassure people that you are personally capable and credible. For entrepreneurs, the issue is: Are you the kind of person able to build a company? In an existing company, it's more: Are you the kind of person who can manage a complex project competently? How personally committed are you to the idea that you are proposing?

There are a number of ways to drive home the point.

Reveal yourself. Many businesspeople are reluctant to be specific about their personal history or interests in meetings. They may think it's irrelevant or inappropriate, for instance, or they may simply feel pressed for time. But the entrepreneurs who are successful know how to deploy personal details that will strike a chord with listeners.

How? They do homework before big meetings—such as researching a potential investor's history on a social-networking site—and during the meeting they're very attentive to body language and verbal signals. For instance, background research might show that you and a potential investor have a common interest in college football. During the meeting, you might refer to a recent big game to underscore a point—and if the investor responds well to the reference, you might use more sports analogies when talking about your business.

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This also applies to personal history. Disclosing critical details can make all the difference, such as a shared school affiliation or hometown, as well as a personal achievement. In our sample of entrepreneurs, for instance, all were graduates from the same top business school. But the ones who actually *told* potential investors proved most successful at attracting capital.

"I am sort of skeptical about M.B.A. qualifications," admitted one venture capitalist. "The fact [that he let us know] that he was from a prestigious business school did help."

Put your money where your mouth is. Some entrepreneurs take only token wages or forgo a salary altogether. This serves two purposes. On a concrete level, it keeps costs to a minimum or cuts them out completely, which is vital when money is tight. On a symbolic level, it shows a full commitment to a business and sends a compelling signal to potential investors. Consider this comment by one investor in our sample: "Anyone can make a good business plan, but it's got to be the people behind the business plan. It's got to be their commitment—that is what helps you make hard decisions about investing. It tells you that when the chips are down, these people are not going to jump ship. They're going to stay fighting."

A word of caution, though, for executives at existing companies: A $1 salary may be seen as a public-relations gimmick as much as a sincere expression of personal responsibility and passion for the business. Meanwhile, some experts worry about sending another negative message—the executive is wealthy and can take or leave the money.

The Company's Professionalism

Businesspeople also need to sell the idea that their project or company is professional. But how do you do that with few resources?

Keep up appearances. A professional look helps reassure investors that a company's structure and processes are stable. Businesspeople should make sure that everything they show investors—from presentations to business cards to Web pages—is thoughtfully prepared. As obvious as it seems, personal appearance counts, too. Executives would do well to invest in a professional wardrobe, and take some coaching in presentation skills. (Recalling his team's sloppy appearance at a failed meeting, one red-faced entrepreneur admitted, "We were just a bunch of clowns wandering around with PowerPoint presentations.")

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Location, location, location. The old adage also holds true here: Executives should secure the most desirable spot possible for their offices. Of course, not everyone can afford this, but there are ways to save. For instance, some entrepreneurs in our study arranged to meet in impressive surroundings—such as fancy hotels—or they rented shared offices in tony neighborhoods. Again, this serves a twofold purpose. Practically speaking, it's cheaper than getting very expensive digs. It also has valuable symbolic meaning. As one entrepreneur explained, "When we asked [our investors] why they had given us this chance, rather than some of our perhaps better-established competitors, they told us that they were so impressed that we were obviously a business of substance, because we had such a large, well-appointed office. They didn't know that we had a very, very small office, just in a large building."

Obviously, we're not advising a display of fake luxury—executives should not lie to potential investors, or go way beyond their means to make a better impression. What's more, before plunging into a deal for upscale offices, managers should be sure that their potential investors actually place a high value on this kind of display. For instance, they should ask other clients about the investors' preferences—as well as what their offices look like.

The Track Record

A common complaint among entrepreneurs in our study is that investors demand proof of some past accomplishment before they commit resources. But there's no way to get a track record without resources to develop an idea. The most successful entrepreneurs found ways to address this Catch-22 situation.

For example, rather than merely describing their product on paper, some entrepreneurs developed a prototype, or used controlled product demonstrations, to convey how the product might work. One investor who was won over this way told us: “This win happened when the business founder gave what I’ll call a controlled demonstration. The demo looked really great.”

Another company hadn’t produced a single commercially viable product, but it had won industry awards for its technology development. So, it conspicuously displayed its awards on its home page as evidence of external recognition.

“Could we prove [our product] worked in the marketplace?” the entrepreneur told us. “No, we couldn’t, but we needed to get those external endorsements to help us.”

For managers at an established company, a good strategy is to try to establish a series of modest wins and publicize these as symbols of achievement in a clear—but not conceited—way. A manager might try to win plaudits from customers by delivering top-notch customer service, for instance, and then place those testimonials prominently on the company Web site or in promotional material.

Emphasizing and Building Ties

Being associated with prestigious stakeholders can help elevate one’s standing. One business founder explained how having two international companies partner with his travel venture gave him tremendous credibility, which was “absolutely critical” for obtaining funding. Later, he secured the backing of other high-profile investors and industry experts who joined the company’s board—and they, too, became important symbols of prestige.

The founder mentioned these ties during presentations, and believed they helped him land sizable contracts. “The reason they think we can do it is they look at our board and they see some very big names on there now,” he said.

Finally, it’s critical to use symbolic gestures to build and strengthen relationships with stakeholders. Even seemingly small actions can make a difference. For instance, successful entrepreneurs often send flowers or inexpensive gifts with their corporate logo to serve as reminders of the company’s reliability—and, even more fundamentally, the fact that the company is still in business. For executives at established companies, personalized emails or handwritten notes of appreciation to colleagues and employees can help them stand out from their peers.

As one of the founders said, “We try to influence the clients’ selective recall. The way we do it is through small gifts like a pen or a ruler with our company name on it. People keep these things on their desk, and they use them. You may laugh at this, but the small things help people to remember us.”

People seem to appreciate these gestures. One customer in our survey said, “Service is important, and [this company] attends to us as if we were their most important or only customer, and continues to do so.”

Of course, none of these strategies should mean faking the way to success. We are not advocating cover-up actions, the way some companies selectively issue one-sided announcements calculated to drive up the price of their stock. With the business world reeling from so many corporate scams of this nature, once-bitten stakeholders will see right through any shallow maneuvers.

To be effective, each of these actions must be underpinned by authenticity. In other words, only promise what you can deliver.

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