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REPORT ON BUSINESS

↓	↓	↓	↑
S&P/TSX 11,826.44 -39.32 Energy stocks lead first decline in four sessions	DJ Ind. 11,069.06 -46.26 Interest rate worries undermine blue chips	Nasdaq 2,262.96 -19.40 Chip stocks drop as Citigroup cuts recommendation	Dollar 87.18c (U.S.) Unchanged Rate concerns in U.S. and Canada squeeze loonie
			Gold \$556.60 (U.S.) +2.00 Renewed inflation concern underpins billion gain
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VENTURE CAPITAL

Networking as a Factor of Commercial Evolution



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WISE WORDS

Over 150 years ago, Charles Darwin proposed that evolution only allows those with the traits necessary to survive to flourish. For example: In nature's ecosystem only those burgeoning entities that possess the ability to forage for food and protect against hostile environmental factors can survive. This is the same for the modern commercial ecosystem with regard to startups. Only those startups with the skills to find the necessary elements of life will flourish. Just as a baby bird must forage for food or die of starvation, a startup company must likewise forage for key resources (capital, human talent and client traction), while still in its infancy. Failure to obtain these necessary elements of business is likewise seen by the capital markets as a sign that the entity does not have what it takes to grow into a dominant force in its ecosystem.

But how does a startup company with little or no capital gather the resources it needs to grow? The answer: **Networking.**

In the business world, an entrepreneur's ability to network can often determine whether the venture succeeds or starves to death. Often times, entrepreneurs do not realize the power that a strong professional network offers. Never are these skills more needed than when you simply cannot afford the necessary ele-

ments of life. During this "bootstrapping" phase, you have no choice but to forage or network for them.

But how does one network effectively? What are the rules to networking? How can you get what you need when you simply cannot afford it? When it comes to networking there are many rules, but here are the four that I have found most effective:

Rule #1: Take Every Meeting

John Goudey, a Senior Partner at Ernst & Young and widely considered one of the most connected people in the Toronto business scene, mentored me for several years. During that time he imparted many pearls of wisdom, but the most sage piece of advice was simply, "Take Every Meeting."

If anyone wants to meet and discuss strategic alliances, working together, or simply share where their business is at, it is important to take the meeting. Goudey said there were three reasons to do this, even if you cannot immediately see the benefit or figure out, "what is in it for me?"

(a) Even if the person you are meeting with cannot add value to what you are doing, you simply never know who in their network might. There are, after all, only six degrees of separation in the modern world.

(b) You always meet the same people on the way up as you do on the way down, so be courteous to everyone. One day, even if it is not today, they might be of a useful contact.

(c) It is simply the right thing to do. Enlightened self interest can be a powerful motivator, but selflessly serving others, even if it never results in a direct benefit to you or your enterprise, is still worth undertaking in its own right. Think of a time in your career where you wished someone was there to open a door for you or to give you a leg up. Why not use this opportunity to be that person for someone else?

In my practice, I take more than a dozen meetings a month with people who want something from me or my firm. Seldom do these meetings result in immedi-

ate tangible results, but by taking them, I have the opportunity to learn about what others are up to and consequently set the scene for future gain. At a minimum, I get the opportunity to do the right thing and help others, at a maximum I might find something that can one day be of use to me. After all, if you are willing to help others succeed, you will most likely develop a fan club that will evangelise your good name and, in the future, will genuinely want to help you succeed in return.

Rule #2: Find Alignment

Networking is not a one way street. Always asking for what you need, instead of determining how both parties can benefit, is the surest way to stifle your network potential. For any commercial relationship to be sustainable, there must be balance. To achieve balance there must first be an alignment of interests.

Dale Carnegie's, "How to Win Friends and Influence People," reminds us that most people only see their own perspective. They can only ask WIFM (What is in it for me). Carnegie reminds us that if we want others to act for our benefit, we have to be able to formulate our request in terms of how it actually helps the other person. For example, if you are applying for a job, do not sell your future employer on why you need the job, but instead show your next boss how acquiring your talents will help him or her to meet the company's goals.

So when you meet with others, either formally or informally, strive to learn about their business, its goals, its needs and its model. And while doing so, take a genuine interest in their backgrounds and what they have to tell you. Rushing through the conversation just to get what you are looking for leaves a poor impression. Try to put yourself in their shoes and turn your mind to what you can do to advance their opportunity. Try to find out what their key metrics are and give some thought to how those intertwine with what you are trying to accomplish.

Casey Shea, President of Earthworx., and in my estimation one of the finest networkers I have ever met, puts it this way: "My strategy has always been to know who is who and what THEY need to survive. By providing utility to someone, you have a better chance of getting fed yourself."

Once you have been able to gain this understanding, try to facilitate the reverse. Help them to understand what you and your firm are trying to accomplish and what you might currently lack to get there. This is a great opportunity to use what Leonard Brody, author of one of this year's entrepreneurial must reads, "Everything I Needed to Know About Business ... I Learned from a Canadian" calls the Entrepreneurial Jedi Mind Trick: "Most seasoned entrepreneurs utilize a charisma that allows them to rally people around their cause; a sort of gravitational pull that makes people want to help and get involved. A feeling like if they don't, they are missing out on something truly meaningful."

Rule #3: Go First

If you have ever been pitched on a strategic alliance, then you know that these meetings usually end with both sides pledging a commitment to help the other. Well-meaning intentions aside, too often this never happens. Too many people adopt a "wait and see" approach. They say to themselves, "well let's see how much value they bring to us, before we spend any energy helping bring value to them." This is, in my estimation, the wrong way to proceed.

Instead, **GO FIRST!** Develop goodwill by acting on this new potential "alliance" by sending over a sales lead, sharing some pertinent information or inviting them to meet someone from your network that could assist them. By going first you are adding to the "goodwill bank account," an account that you might later be able to draw down upon. In this way, networking is more akin to farming than hunting, or as Matt Henderson, Director of

Business Development for Ernst & Young's Pacific region, puts it: "Networking is like gardening. You plant the seed by providing something of value to someone you wish to build a relationship with, while asking nothing in return. You then continue to nurture the relationship by giving ongoing care and attention: a thoughtful note, a valuable contact, an invitation to an event, sharing some key insight. Then as the relationship begins to flower and grow due to the time and attention you have paid to it, it begins to bear valuable fruit. Fruit that when the time is right, you can pick and use to nourish your pursuits".

Rule #4: Pick the Fruit Only When it is Ripe

One of the greatest networking mistakes you can make is cashing out your goodwill account incorrectly. You can bankrupt your goodwill account by: asking for something unreasonable, asking for something too soon or simply asking for too much.

You should never ask for a favour from someone in your network that is either not in their best interest to give, beyond their efficacy, or goes against their model, metrics and goals. For example, you should never ask an auditor to give your firm a free audit. After all, audits are primarily what they get paid for. Instead you could ask your accountant for a copy of that firm's most recent research report, an introduction to a source of capital they do work for or an invitation to an event they are hosting. All those items are secondary to the primary goal of their firm - sell more audit services - and so asking for something like a free audit is not only impossible but it shows that you really did not understand rule #2.

With regard to your cashing in a favour too soon or worse yet, too often, both can be monstrously detrimental to your network. After all, if you pick a tree too bare, there won't be any fruit seeds left to regrow from or as Matt Henderson says, "Networking is like gardening ... if you want to

eat off of the relationship vine, you need to nurture it for the long haul".

More than a century and a half ago, Darwin wrote that those without the necessary traits for survival, would naturally be weaned out of the ecosystem and the same can be said today with regards to under-funded, early stage growth companies. Those that cannot bootstrap and acquire the elements of life through networking surely won't survive.

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