A New Entrepreneurial Landscape

How Does Blockchain Technology Democratize Entrepreneurship?

Millions of new ideas and ways to commercialize them grow exponentially every day. So, perhaps, the right moment has arrived to reconsider what we know about entrepreneurship. In this short introduction we will touch upon 3 major challenges traditional start-ups face today and preview the potential blockchain solutions.

1) High Costs in Start-up Financing: Information Asymmetry and Environmental Uncertainty

When the time comes for a start-up to find investors, access to reliable information is crucial for both start-ups and companies alike to evaluate their chances of success. The mind of an entrepreneur is often blinded by their exciting business idea which

translates into various cognitive biases. One is the neglect of the potential risks of the whole endeavour. Another is overestimating the chances of success for a project. As a result, inaccurate information may be given to investors in order to attract financial support.

Investors, in turn, rarely make isolated decisions - they talk to other investors, perform due diligence and research the track record of the team in question. Otherwise, two parties might end up having absolutely different views on the survival chances of the new startup. Currently, there is no straightforward tool for them to fairly evaluate one another. The founding teams continue with impression management and investors rely on the third sources that do not necessarily mirror the realistic performance of the team in question. As a result, investors minimize risk and indulge into opportunistic behaviors that consequently drive the costs up for start-ups.

2) Limited Access to Investment Opportunities in Underdeveloped Communities

As a result of the information asymmetry and high environmental uncertainty, stakeholders develop their own strategies to cope with these issues. They specialize only in certain industries where they have acquired sufficient expertise and social networks. They focus on very specific characteristics of the venture or the founding team (e.g. reputation), limiting the potential growth of other project areas. These cognitive coping techniques of VCs and business angels highly localize the fundraising process. As risk-aversive as they are, stakeholders tend to invest only within their local communities or the industries they are familiar with.

3) Why Do Many Start-up Software Companies Fail?

Many software start-ups decide to sell their business to incumbents before fulfilling their full commercial potential. Despite having a great value proposition and inventive developer achievements, at a certain stage teams are confronted with scaling issues: How do they arrange sales? How should they deploy effective marketing techniques? Who will develop the product line further and talk to customers? And what about configuration management and administration?

Lacking expertise in all these non-coding domains, software engineers do not have much choice but to surrender. Although incumbents are mostly happy to move ahead with such projects, this frequently results in a compromised end-to-end product. Finding the right employees is one problem, but integrating them with the founding team in the way that it does not cause friction with the existing team is another.

The Blockchain Solutions: Democratizing Innovation

1) Reducing Costs: Creating a Better Trust Mechanism

As stated earlier, information asymmetry and environmental uncertainty inspires little trust between the team and the investor in the traditional form of entrepreneurship. Since both parties have to engage various intermediaries to economically interact, the transaction costs are massively inflated. Blockchain solves this by applying its mathematical algorithms and decentralized networks that guarantee secure, verifiable transactions. The investors' opportunism can be attenuated by what we know as smart contracts. Investors can lock value into a smart contract that only unlocks when certain milestones are coded in are reached by a prospective team. In this sense, investment value is fractionalized and made equivalent to direct project achievements.
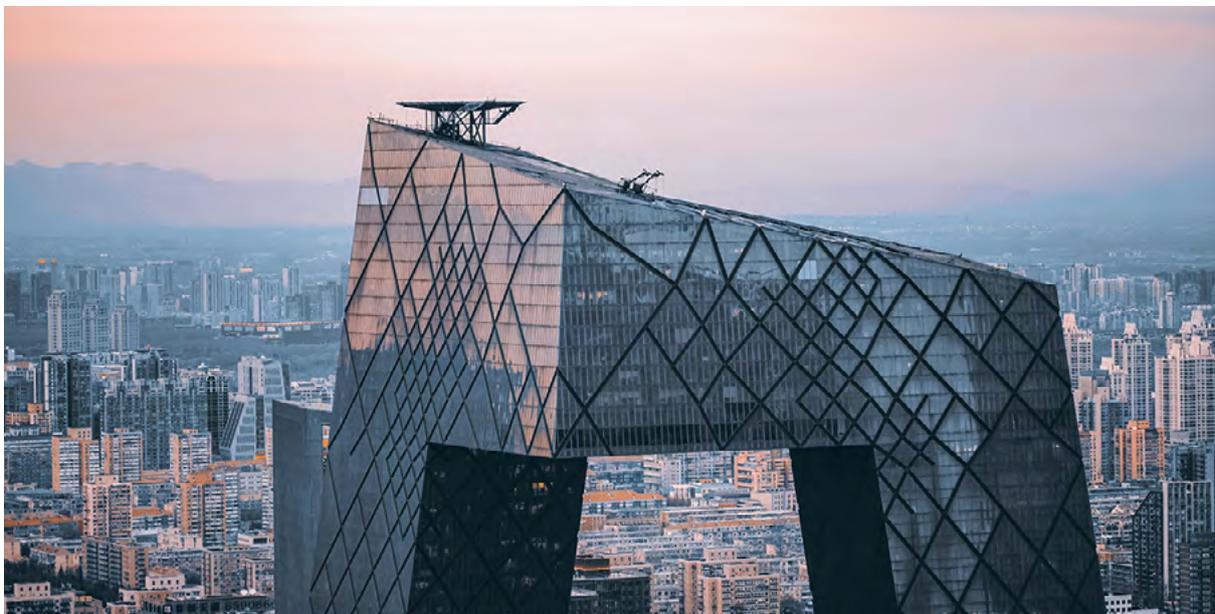
2) Fundraising Through ICOs: Democratizing Innovation

Recently, developers have begun to tokenize their ventures and sell tokens to the "crowd" to fund these projects. This new way of fundraising, called ICOs, bypasses traditional intermediaries and democratizes access to international investment opportunities. ICOs give teams a shortcut to a large pool of investors without years of networking. Also, ICOs empower investors to support early stage ventures across the world and enjoy almost immediate liquidity with the project tokens. This is a win-win situation. As a bonus, the underlying mechanism of ICOs promotes strong network effects and extensive feedback. By actively sharing the progress and updates regarding the product, they are able to gather feedback and suggestions from the shareholders, which enhances two-way communication and reduces information uncertainty.

3) The Whole is Greater Than The Sum Of The Parts or The Rise of The "Full-Stack" Approach

When the founding team sells its technology before it can go to the market, the integrity of the end-to-end product is often compromised. The "whole" product invented and designed by the same team is greater than the sum of the parts collected by different contributors. As the [entrepreneur and investor Chris Dixon](#) explains it:

"A good example from big companies is Apple versus Microsoft. For years, Microsoft just built pieces of the stack — the OS, apps — and relied on partners to build semiconductors, cases, assembly, do retail etc. Apple does everything: they design their own chips, their own phone hardware, their own OS, their own apps, the packaging, the retail experience etc. Apple reminded the world that you could create a really magical experience if you did many things well at once."

The "Full-Stack" approach that is oriented towards building a "whole" product that allows start-ups to penetrate industries resisting software innovation. This is very relevant for technology start-up - having a brilliant technology not supported by a solid business model is a high-frequency mistake entrepreneurs commit. Regardless of how amazing your product is, if you only have a developers' expertise on your bench, you will get killed. So what are the ways to pull off a full-stack venture?

Blockchain can help you facilitate your full-stack (logistics, supply chain management, design, sales, strategic partnerships, customer marketing...). Moreover, it is a more efficient way of managing accounting records, financial transactions, and improving information sharing.

Topics to Discuss

Reducing the Costs in Start-up Financing: Overcoming Cognitive Biases in Entrepreneurship

Entrepreneurs Regaining The Ownership: ICOs Democratizing Fundraising

In Search For The Blue Flower: Where To Find International Investors For a Start-up

The Rise of the Full-Stack Approach: The Magic of The "Whole" Product

Multidisciplinary Start-Ups Teams in Crypto : An Open Ocean For All Backgrounds

Crypto Community as Perfect Headhunting Space For Smart Creatives

What Now? New Avenues And NEAR Protocol

The recent mainnet launches of various L1 blockchains such as NEAR Protocol are shining an entirely new light on how we look at entrepreneurship today. One of the core missions of NEAR is to equip founders - early stage start-ups from around the globe - with the necessary resources such as relevant events and networks but also high-quality expert mentorship. The community and accelerator programs such as Open Web Collective focus on the diverse needs of the founders to help them unravel various complexities around the entrepreneurial journeys in crypto.

 Another epitomization of collaborative ethos on NEAR is Sharp Darts. As a team of the professional technology validators, they offer a secure staking service that allows for support of the new NEAR powered projects. This way, by staking with Sharp Darts you are also also contributing to the global community of like-minded entrepreneurs and the next generation businesses in the Open Web. To sum up, being a part of the NEAR blockchain ecosystem brings various advantages with it on the individual level such as reducing the transaction costs for your start-up by creating a better trust mechanism, opening up access to the international sponsors and getting extensive 360 feedback on progress. On a more global level, building on NEAR means being connected to the right people - smart creatives, just like you, who are looking for a common place to come together and create new forms of value.