

## Legal Aspects of Entrepreneurship

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### I. LEGAL ASPECTS OF ENTREPRENEURSHIP

Legal Aspects of Entrepreneurship focuses on the legal dimensions of entrepreneurship and is designed to help students develop the managerial capability of legal astuteness. Legal astuteness is the capability of entrepreneurs and other managers to work effectively with counsel to solve complex problems and to protect and leverage firm resources.<sup>1</sup> It requires a set of value-laden attitudes, a proactive approach, the exercise of informed judgment, and context-specific knowledge of the law and the appropriate application of legal tools. Like information technology, the legal dimensions of business should not be treated as an after-thought or add-on to the business strategy development process. As Tim Hinthorne explained, “[C]orporate leaders who understand the law and the structures of power in the U.S.A. have a unique capacity to protect and enhance share-owners’ wealth.”<sup>2</sup> Conversely, managers who lack the ability to integrate law into the development of strategy and of action plans can place the firm at a competitive disadvantage and imperil its economic viability.

Ideally, entrepreneurs and managers work with counsel as partners to craft business solutions that maximize value while minimizing (and eliminating entirely all unnecessary) legal or business risk. Just as a lawyer needs a sufficient understanding of how business operates and the strategies for success to be an effective partner, entrepreneurs need to have some knowledge of legal nomenclature and the legal principles most relevant to their business.

**This is a course for entrepreneurs and other business managers.** Legal matters are too important to delegate to persons who may not understand the broader business objectives. Managers need to understand the fundamentals of the law just as they need to understand the fundamentals of accounting, finance, and human behavior. As managers rise in the corporate hierarchy, they increasingly face legal issues they are ill-equipped to handle. Most managers do not have a legal background. They often do not know the right answers or even the right questions to ask. If an entrepreneur is not sensitive to what legal issues might arise, he or she will not know when to call in the lawyers. Once the issue has turned into a problem, it is often too late to do anything other than damage control.

Moreover, entrepreneurs often do not have the resources to seek legal advice on every matter. They may have to act quickly to realize market opportunities and will not

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<sup>1</sup> Constance E. Bagley, “Winning Legally: The Value of Legal Astuteness,” *Academy of Management Review*, vol. 33: 378-390 (2008).

<sup>2</sup> Tim Hinthorne, “Predatory Capitalism, Pragmatism, and Legal Positivism in the Airline Industry,” *Strategic Management Journal*, vol. 17 (1996): 251-270.