

Entrepreneurship



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Overview

- What is an entrepreneur?
- Characteristics of an entrepreneur
- Planning to be an entrepreneur
- Growth pressures, managing a family business, and corporate intrapreneurship



Entrepreneurs V. Intrapreneurs

- Entrepreneurs are people that notice opportunities and take the initiative to mobilize resources to make new goods and services.
- Intrapreneurs also notice opportunities and take initiative to mobilize resources, however they work in large companies and contribute to the innovation of the firm.
- Intrapreneurs often become entrepreneurs.



Intrapreneurship

- Learning organizations encourage intrapreneurship.
- Organizations want to form:
 - Product Champions: people who take ownership of a product from concept to market.
 - Skunkworks: a group of intrapreneurs kept separate from the rest of the organization.
 - New Venture Division: allows a division to act as its own smaller company.
 - Rewards for Innovation: link innovation by workers to valued rewards.



Small Business Owners

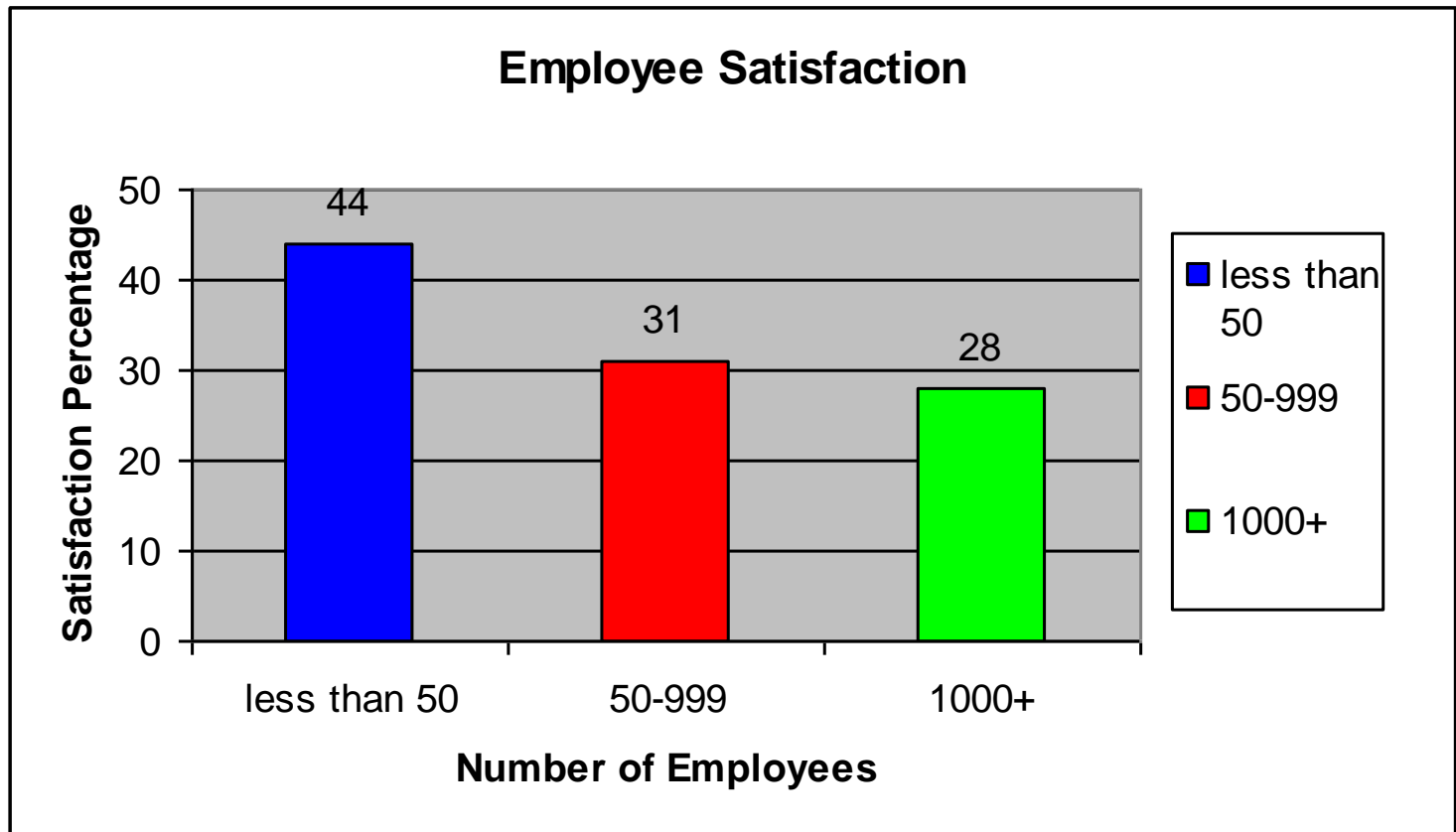
- Small business owners are people who own a major equity stake in a company with fewer than 500 employees.
- In 1997 there were 22.56 million small business in the United States.
- 47% of people are employed by a small business.



Employee Satisfaction

- In companies with less than 50 employees, 44% were satisfied.
- In companies with 50-999 employees, 31% are satisfied.
- Business with more than 1000, only 28% are satisfied.

Employee Satisfaction



Advantages of a Small Business

- Greater Opportunity to get rich through stock options
- Feel more important
- Feel more secure
- Comfort Level





Disadvantages of a Small Business

- Lower guaranteed pay
- Fewer benefits
- Expected to have many skills
- Too much cohesion
- Hard to move to a big company
- Large fluctuations in income possible

Who are entrepreneurs?



■ Common traits

- Original thinkers
- Risk takers
- Take responsibility for own actions
- Feel competent and capable
- Set high goals and enjoy working toward them

■ Common traits

- Self employed parents
- Firstborns
- Between 30-50 years old
- Well educated – 80% have college degree and 1/3 have a graduate level degree



Successful and Unsuccessful Entrepreneurs

■ Successful

- Creative and Innovative
- Position themselves in shifting or new markets
- Create new products
- Create new processes
- Create new delivery

■ Unsuccessful

- Poor Managers
- Low work ethic
- Inefficient
- Failure to plan and prepare
- Poor money managers

Characteristics of Entrepreneurs

Key Personal Attributes

Strong Managerial Competencies

Good Technical Skills



Successful Entrepreneurs



Key Personal Attributes

- **Entrepreneurs are Made, Not Born!**
 - Many of these key attributes are developed early in life, with the family environment playing an important role
 - Entrepreneurs tend to have had self employed parents who tend to support and encourage independence, achievement, and responsibility
 - Firstborns tend to have more entrepreneurial attributes because they receive more attention, have to forge their own way, thus creating higher self-confidence



Key Personal Attributes (cont.)

■ Entrepreneurial Careers

- The idea that entrepreneurial success leads to more entrepreneurial activity may explain why many entrepreneurs start multiple companies over the course of their career
- Corridor Principle- Using one business to start or acquire others and then repeating the process
- Serial Entrepreneurs- A person who founds and operates multiple companies during one career



Key Personal Attributes (cont.)

- Need for Achievement
 - A person's desire either for excellence or to succeed in competitive situations
 - High achievers take responsibility for attaining their goals, set moderately difficult goals, and want immediate feedback on their performance
 - Success is measured in terms of what those efforts have accomplished
 - McClelland's research



Key Personal Attributes (cont.)

- Desire for Independence
 - Entrepreneurs often seek independence from others
 - As a result, they generally aren't motivated to perform well in large, bureaucratic organizations
 - Entrepreneurs have internal drive, are confident in their own abilities, and possess a great deal of self-respect



Key Personal Attributes (cont.)

■ Self-Confidence

- Because of the high risks involved in running an entrepreneurial organization, having an “upbeat” and self-confident attitude is essential
- A successful track record leads to improved self-confidence and self-esteem
- Self-confidence enables that person to be optimistic in representing the firm to employees and customers alike



Key Personal Attributes (cont.)

- Self-Sacrifice

- Essential
- Nothing worth having is free
- Success has a high price, and entrepreneurs have to be willing to sacrifice certain things



Technical Proficiency

- Many entrepreneurs demonstrate strong technical skills, typically bringing some related experience to their business ventures
- For example, successful car dealers usually have lots of technical knowledge about selling and servicing automobiles before opening their dealerships
- Especially important in the computer industry
- NOT ALWAYS NECESSARY



Planning

- Business Plan – A step-by-step outline of how an entrepreneur or the owner of an enterprise expects to turn ideas into reality.



Questions To Keep In Mind

- What are my motivations for owning a business?
- Should I start or buy a business?
- What and where is the market for what I want to sell?
- How much will all this cost me?
- Should my company be domestic or global?



Motivations

- Deciding what your motivations are will direct you toward what type of business fits you best.
- Types:
 1. Lifestyle Venture
 2. Smaller Profit Venture
 3. High Growth Venture



1. Lifestyle Venture

- Small company that provides its owner independence, autonomy, and control.
- Is often run out of household
- Provides flexibility (hours, meeting places, attire)
- Aligns your personal interests and hobbies with your desire to make a profit.



2. Smaller Profit Venture

- Small company not concentrated on pushing the envelope and growing inordinately large.
- Making millions of dollars not important.
- Content with making a decent living.
- Ex. Mom and Pop Stores



3. High Growth Ventures

- Goal is maximum profit and growth.
- Concentrated on pushing envelope and growing as large as possible.
- Focus on innovation



Start or Buy?

- Start – cheapest, but very difficult
 - requires most planning/research
- Buy – expensive – may be out or reach
 - requires less planning and research
- Franchise (middle ground) – a business run by an individual (the franchisee) to whom a franchiser grants the right to market a certain good or service.



The Market???

- Planning & Research essential
- Extensive market surveys (family, friends, neighbors...)
- Magazines and Polls offer some information on the market
 - Businessweek, Harris Poll



What about the cost?

- Plan realistically, not optimistically
 - Don't overestimate your profits
 - Don't underestimate your costs
- Sources of Funds
 - Banks
 - Venture Capitalists – filthy rich, high risk investors looking for a many-times-over yield
 - Angels – seem to have altruistic motives and less stringent demands than venture capitalists



Domestic or Global?

- Drawbacks to Global – more research and less accessible connections in startup phase, more travel time required, more considerations.
- Advantages to Global – more human resources, more demand, more financing, easier to start global than go from domestic to global.



Entrepreneurship: Growth Pressures

Entrepreneurs often find that as their business ***grows***, they feel more pressure to use ***formal*** methods to lead their organizations.

Although this ***formalization*** process may compromise some entrepreneurs spirit, it often leads to more ***focus***, ***organization***, and greater ***financial returns***.

Basically, it's a movement from a “seat-of-the-pants” operation to a more structured, legitimate and recognizable business.



Entrepreneurship: Growth Pressures

Entrepreneurial and Formal Organizations differ in six business dimensions:

- Strategic orientation
- Commitment to opportunity
- Commitment to resources
- Control of resources
- Management structure
- Compensation policy

Entrepreneurship: Growth Pressures

Business Dimension	Entrepreneurial Organization	Formal Organization
Strategic orientation	Seeks opportunity	Controls resources
Commitment to opportunity	Revolutionary Short duration	Evolutionary Long duration
Commitment to resources (capital, people, and equipment)	Lack of stable needs and resource bases	Systematic planning systems
Control of resources	Lack of commitment to permanent ventures	Power, status, financial rewards for maintaining status quo
Management Structure	Flat Many informal networks	Clearly defined authority and responsibility
Compensation policy	Unlimited; based on team's accomplishments	Short-term driven; limited by investors



Entrepreneurship: Growth Pressures

Going Global....

From domestic to worldwide expansion, globalization can be extremely rewarding for entrepreneurs.

THINK: Money and Business Exposure

However, it is a huge undertaking. Adapting your business to operate in the global market can lead to a decrease in ownership, and a forced focus on raising money to keep your business alive.

THINK: Selling out, Private to Public (Initial Public Offering, IPO)



Entrepreneurship: Managing a Family Business

- Over 50% of the U.S. Gross Domestic Product (GDP) is generated from family business.
- 12% of CEOs on the *Inc. 500 list* describe their company as a family business.

So, why not dream up a plan and go into business with your family or friends?



Entrepreneurship: Managing a Family Business

Two reasons not to go into business with your family or friends....

Families fight
Friends fight.

Often, it involves money. So a business environment could potentially breed arguments, disagreements, and feuds.

Fighting can occur during early developmental stages when hours are long and pay is low. Or, after success has been achieved.



Entrepreneurship: Managing a Family Business

Six steps to help lead you to a successful Family Business:

- Clear job responsibilities
- Clear hiring criteria
- Clear plan for management transition
- Agreement on whether and when to sell business
- Commitment to resolving conflicts quickly
- Outside advisors are used to mediate conflicts.

Clarity is key.... but NO GUARANTEE.



Entrepreneurship: Managing a Family Business

Operational vs. Survival Issues....

Operational = Decisions about the economics of the business and how to balance that with rational and family obligation criteria.

THINK: Day-to-day grind.

Survival = Develop out of a lack of attention on the operational issues within the business.

THINK: Festering problems; ultimately compromise livelihood.



Entrepreneurship: Managing a Family Business

FAMILY FEUD:

Severed relationships	Divorce	Poor business performance	Low morale, motivation
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Entrepreneurship: Corporate INTRA-preneurs

Intrapreneur = someone in an existing organization who turns new ideas into profitable realities.

Not every employee has the ability to become a successful intrapreneur. It takes well-developed strategic action, teamwork and communication abilities.



Entrepreneurship: Corporate INTRA-preneurs

Organizations that redirect themselves through innovation have the following characteristics:

- Commitment from senior management
- Flexible organization design
- Autonomy of the venture team
- Competent/Talented people with entrepreneurial attitudes
- Incentives and rewards for risk taking
- Appropriately designed control system



Entrepreneurship: Corporate INTRA-preneurs

In order to for this type of forward thinking to reap long-term benefits, top management must allow it to flourish in the day-to-day operations of the business....

This is known as “skunkworks”

Skunkworks = Islands of intrapreneurial activity within an organization.

REMEMBER: On the island, formal rules and policies of the organization often DO NOT apply.



One More Time

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