

# 3 Small Business Entrepreneurs: Characteristics and Competencies

Source: Entrepreneurial Small Business, Katz & Green, 2e  
McGraw-Hill/Irwin

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- ## Chapter 3
- The Entrepreneurial Personality:
    - Classic entrepreneur: Bill Gates, Sam Walton
      - Loner, socially isolated
      - Hard worker
      - Fast learner
      - Risk-taker seeking wealth

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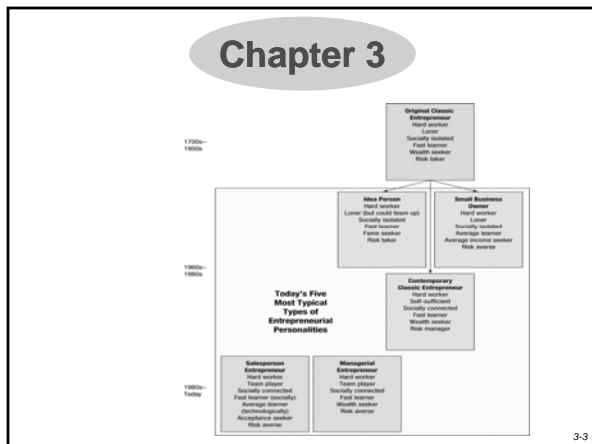
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**Chapter 3**

- **Original Classic Entrepreneur:**
  - Hard worker
  - Loner
  - Socially isolated
  - Fast learner
  - Wealth seeker
  - Risk taker

**1700's-1950's**

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**Chapter 3**

- **Idea Person:**
  - Hard worker
  - Loner (could team up)
  - Socially isolated
  - Fast learner
  - Fame seeker
  - Risk taker

**1950's-1980's**

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**Chapter 3**

- **Small Business Owner:**
  - Hard worker
  - Loner
  - Socially isolated
  - Average learner
  - Average income seeker
  - Risk averse

**1950's-1980's**

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### Chapter 3

- Contemporary Classic Entrepreneur:
  - Hard worker
  - Loner
  - Socially isolated
  - Fast learner
  - Wealth seeker
  - Risk taker

**1950's-1980's**

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### Chapter 3

- Salesperson Entrepreneur:
  - Hard worker
  - Team player
  - Socially connected
  - Fast learner (socially)
  - Average learner (technologically)
  - Acceptance seeker
  - Risk averse

**1980's-Today**

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### Chapter 3

- Managerial Entrepreneur:
  - Hard worker
  - Team player
  - Socially connected
  - Fast learner
  - Wealth seeker
  - Risk averse

**1980's-Today**

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### Chapter 3

#### Entrepreneurial Competencies

- **Competencies:** forms of business-related expertise
- **Basic business competency:** understanding the organizational and business processes of a firm

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### Chapter 3

- **Key business functions:** activities common to all businesses
  - sales, operations, accounting, finance, and human resources
- **Industry-specific knowledge:** activities, skills, and knowledge, specific to businesses in an industry
  - Understanding dimple patterns for making golf balls
  - Chemistry involved in Heating and A/C work

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### Chapter 3

- **Resource competencies:** the ability or skill of the entrepreneur at finding expendable components necessary to the operation of the business
  - Time
  - Information
  - Location
  - Financing
  - Raw materials
  - Expertise

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### Chapter 3

- **Determination competencies:** skill identified with the energy and focus needed to bring a business into existence
- **Opportunity competencies:** skills necessary to identify and exploit elements of the business environment that can lead to a profitable and sustainable business

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### Chapter 3

#### Professionalization

- **Professionalization:** the extent to which a firm meets or exceeds the standard business practices for its industry
- **Standard business practice:** a business action that has been widely adopted within an industry or occupation

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### Chapter 3

- **Expert business professionalization:** a situation that occurs when all the major functions of a firm are conducted according to the standard business practices of its industry
  - These firms inspire the **highest levels of trust** among their customers.
    - Doctors
    - Insurance providers

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### Chapter 3

- **Expert business professionalization:**
  - **Subcontractors:** big firms require subcontractors to meet hundreds of corporate-dictated procedures
  - **Franchises:** corporate parents specify most of the procedures for the business's operation
  - **International quality certifications (ISO 9000):** small businesses must write in full detail how they will ensure consistency and professionalism

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### Chapter 3

- **Specialized business professionalization:** founders or owners who are passionate about one or two of the key business functions, such as sales, operations, accounting, finance, or human resources
  - Specialized firms tend to generate moderate levels of trust among customers.

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### Chapter 3

- **Minimalized business professionalization:** a situation that occurs when the entrepreneur does nearly everything in the simplest way possible
  - No systematic accounting
  - Personal sales
  - Street vendors, swap meets, art fairs
- **Very difficult to gain trust**

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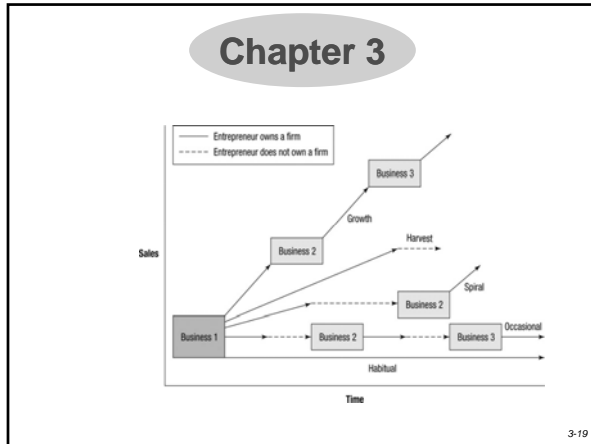
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### Chapter 3

#### Entrepreneurial Careers

- **Habitual entrepreneurs:** owners for a lifetime, sometimes in one business, sometimes across several firms
  - No succession plan
  - Figure to keep working until they can no longer continue

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### Chapter 3

- **Growth entrepreneurs:** lifetime owners whose goal is major success
  - If they top out with one business, they'll start another growth-oriented company, often before they exit the first one
  - When they do retire, they tend to want to **micro-manage** their successors
- **Harvest entrepreneurs:** owners with an exit plan
  - Work first in order to play later
  - Build one company at a time, sell it, enjoy the proceeds, and then start another

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### Chapter 3

- **Spiral (helical) entrepreneurs:** alternate periods of growth and stability
  - Driven by a need to balance family and business
  - The endgame strategy is **scaling down** the business
- **Occasional entrepreneurs:** people who generally have another primary job
  - Fascinated by entrepreneurship and pursue it periodically
  - Classic part-time entrepreneur
  - Seasonal basis (doing taxes, or making Christmas wreaths)

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### Chapter 3

#### Family Businesses

- **Family business:** a firm in which one family owns a majority stake and is involved in the daily management of the business
- 1/3 of the Standard & Poor's 500 are family owned and managed

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### Chapter 3

- Family businesses make up over 1/2 of the businesses in the United States.
- 39% of businesses in the United States are small family businesses.
- They employ 58% of America's workforce.

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### Chapter 3

#### Family Business Challenges

- **Role conflict:** the kind of problem that arises when people have multiple responsibilities, such as parent and boss, and the different responsibilities make different demands on them
  - Whenever possible, make decisions based on **business necessities.**

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### Chapter 3

#### Family Business Challenges

- **Succession:** the process of intergenerational transfer of a business
  - Lack of **clear transition plan** is the death knell
  - Answer is taking a **professional approach**
  - Only **5%** of entrepreneurs can rely on family members to take over

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### Chapter 3

#### Women and Minorities

- **Women-owned** businesses are one of the **fastest-growing** sectors of all United States businesses
- **30%** of all businesses are majority owned by women, with **18%** equally owned by men and women

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### Chapter 3

- **Minority-owned businesses** represent 11% of all United States businesses.
- **1992-1997 Growth rates**
  - General Business 7%
  - Minority-owned 30%
  - Native-American/Alaskan 84%
  - African-American 26%
  - Hispanic 30%
  - Asian/Pacific Islander 30%

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### Chapter 3

#### Access Problems

- **Discrimination in financing:**
  - Minority applicants were **denied** at twice the rate of whites.
  - Asian and Hispanic owners pay **higher interest rates** on their loans
  - **Set asides:** government contracting funds earmarked for particular kinds of firms, such as minority- or women-owned firms

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### Chapter 3

- **Late career entrepreneurs:** people who begin their businesses after having retired or resigned from work in corporations at age 50 or older
  - Get advice
  - Take control over life
  - Networking
  - Keep personal finances out of the business

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**Chapter 3**

**Summary**

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