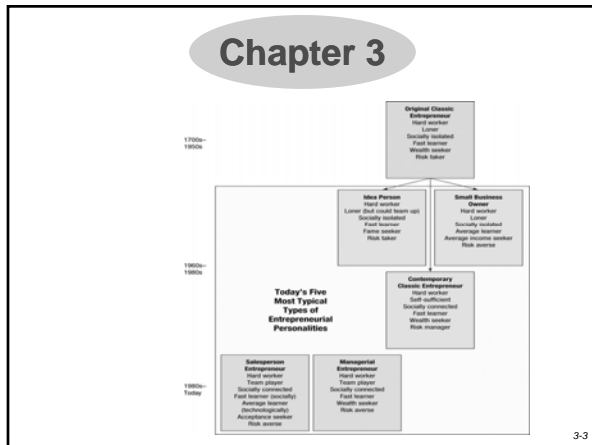


3 Small Business Entrepreneurs: Characteristics and Competencies

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

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



- ## Chapter 3
- Original Classic Entrepreneur:
 - Hard worker
 - Loner
 - Socially isolated
 - Fast learner
 - Wealth seeker
 - Risk taker
- 1700's-1950's

- ## Chapter 3
- Idea Person:
 - Hard worker
 - Loner (could team up)
 - Socially isolated
 - Fast learner
 - Fame seeker
 - Risk taker
- 1950's-1980's

- ## Chapter 3
- Small Business Owner:
 - Hard worker
 - Loner
 - Socially isolated
 - Average learner
 - Average income seeker
 - Risk averse
- 1950's-1980's

Chapter 3

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

1950's-1980's

3-7

Chapter 3

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

1980's-Today

3-8

Chapter 3

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

1980's-Today

3-9

Chapter 3

Entrepreneurial Competencies

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

3-10

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

3-15

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

3-16

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.

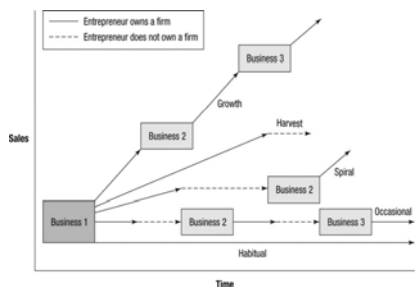
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- **Minimalized business professionalization:** a situation that occurs when the entrepreneur does nearly everything in the simplest way possible
 - No systematic accounting
 - Personal sales
 - Street vendors, swap meets, art fairs
- Very difficult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

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Chapter 3



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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

3-20

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

3-21

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)

3-22

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**.

3-25

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

3-26

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

3-27

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%

3-28

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

3-29

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

3-30

Chapter 3

Summary

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