Small Business Entrepreneurs

Characteristics and Competencies

Chapter 03
Learning Objectives

LO1 Learn about entrepreneurial personality types
LO2 Learn the operational competencies of the successful entrepreneur
LO3 Discover the types of career paths entrepreneurs pursue
LO4 Understand the challenges of family business owners
Learning Objectives (cont.)

LO5 Recognize the special nature of entrepreneurial teams

LO6 Gain insight into the challenges women and minority business owners face

LO7 Understand the situation of people who become business owners later in life
The Entrepreneurial Personality

- Classic profile
  - Loner, socially isolated
  - Hard worker
  - Fast learner
  - Risk-taker seeking wealth
The Entrepreneurial Personality

- Idea person
- Small business owner
- Contemporary classic entrepreneur
- Salesperson entrepreneur
- Managerial entrepreneur
Today's Five Most Typical Types of Entrepreneurial Personalities

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

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

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

Contemporary Classic Entrepreneur
- Hard worker
- Self-sufficient
- Socially connected
- Fast learner
- Wealth seeker
- Risk manager

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

Managerial Entrepreneur
- Hard worker
- Team player
- Socially connected
- Fast learner
- Wealth seeker
- Risk averse
Entrepreneurial Operational Competencies

➢ Competencies
   – forms of business-related expertise

➢ Basic business competency
   – understanding the organizational and business processes of a firm
Entrepreneurial Operational Competencies

☑ 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
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
Entrepreneurial Operational Competencies

- **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
Professionalization

- the extent to which a firm meets or exceeds the standard business practices for its industry
- Expert, specialized, minimalized

Standard business practice
- a business action that has been widely adopted within an industry or occupation
Professionalization

Expert businesses

- those which you notice everything seems to be done in the best way possible
- firm has exceeded the standard business practices of the industry
Professionalization

➤ Specialized

- founders or owners are passionate about one or two of the key business functions,
- Satisfied if other activities are no worse than other firms in the market
Professionalization

▶ Minimalized

- Entrepreneur figures that “good enough” is all that is necessary to keep the business going
- No systematic accounting
- Little recordkeeping
Figure 3.2

1. Entrepreneur owns a firm
2. Entrepreneur does not own a firm

Sales

Time

Habitual

Growth

Harvest

Spiral

Occasional

Business 1

Business 2

Business 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
Entrepreneurial Careers

➢ Growth entrepreneurs
  – lifetime owners whose goal is major success
  – If they top out with one business, they’ll start another growth-oriented company,
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
Question

What term describes entrepreneurs who alternate periods of growth and stability?

A. Spiral (Helical) entrepreneurs
B. Occasional entrepreneurs
C. Habitual entrepreneurs
D. Growth entrepreneurs
Entrepreneurial Careers

➤ **Spiral (helical) entrepreneurs**
  - Alternate periods of growth and stability which are driven by personal or family needs
  - Driven by a need to balance family and business
  - The endgame strategy is scaling down the business
Entrepreneurial Careers

Occasional entrepreneurs
- people who generally have another primary job
- Classic part-time entrepreneur
- Seasonal basis (doing taxes, or making Christmas wreaths)
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
Question

What percentage of U.S. businesses are small family businesses?

A. 4%
B. 25%
C. 71%
D. 39%
Family Businesses

- 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.
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.
Family Business Challenges

- **Time management**
  - organizing process to help make the most efficient use of the day
  - List, 123 Prioritize, Delegate, Repeat, Strategize
What is the term for the process of intergenerational transfer of a business?

A. Transition
B. Succession
C. Take-over
D. Acquisition
Family Business Challenges

Succession

- the process of intergenerational transfer of a business
- Lack of clear transition plan is the death knell
Entrepreneurial Teams

Figure 3.3

- 48% One member
- 38% Two members
- 7% Three members
- 4% Four members
- 3% Five + members
Entrepreneurial Teams

- Majority of new businesses have a team of two or more co-owners
- Most teams are family related
- More than half of teams are spouses or life partners working together
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.
Women and Minorities

- Minority-owned businesses represent 11% of all United States businesses.
- 1992-1997 Growth rates
  - General Business 7%
  - Minority-owned 30%
Women and Minorities

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
Women and Minorities

Certification

- an examination base acknowledgement that the firm is owned and operated as specified
Second Career Entrepreneurs

- Late career entrepreneurs
  - people who begin their businesses after having retired or resigned from work in corporations at age 50 or older
Second Career Entrepreneurs

- Get advice
- Take control over life
- Networking
- Keep personal finances out of the business