CHAPTER

2

Small Business Entrepreneurs: Characteristics and Competencies

● New advances in technology and communications are helping entrepreneurs like Laura Tidwell fulfill their career goals while also balancing their family life priorities. In addition to learning how to take advantage of these resources, what other entrepreneurial skills and qualities enabled Laura to grow her business into what it is today?

LEARNING OBJECTIVES

LO

After you complete this chapter, you will be able to:

LO1 Recognize the key aspects of the entrepreneurial personality.

LO2 Assess the operational competencies of the successful entrepreneur.

LO3 Describe the challenges of family business owners.

LO4 Recognize the special nature of entrepreneurial teams.

LO5 Identify the challenges women and minority business owners face.

LO6 Describe the situation of people who become business owners later in life.

Focus on Small Business: Internet Entrepreneur Laura Tidwell[1]

The two things people could always say about Laura Tidwell was that she had tremendous drive and a winning personality. In 1990 at the age of 16 she parlayed both, entering Brigham Young University as a communications major specializing in advertising. But her life became complex, and at 18, she found herself divorced, broke, and the single mother of a toddler. Yet Laura was determined to have a career in advertising—one that would allow her to stay at home, earn a decent living, and raise her daughter. Laura remained convinced that the key for her lay in advertising. She only needed to find the right type of work in advertising.

While socializing at a club in 1994, one of her dance partners told Laura that he wrote Web pages for a living. Never having heard of such a job, she asked, "Web, as in spiders?" Although he initially laughed at her response, he did take the time to explain his job. She suddenly realized that the Web was the answer to her dream. That night she decided to become the owner of a home-based Internet advertising company.

Laura lacked expertise and funding, but she had a goal and the determination and self-confidence to make it a reality. Laura learned the business every way she could using Web-related sources, but she focused on developing contacts at Internet trade shows and through industry associations. She realized she needed even more expertise and started working for people in the industry, at first for free and then in a paying job with an Internet start-up company. By 1996 the then 22-year-old Laura thought she had learned enough, knew enough people in the industry, and saved enough money to step out on her own. She quit her job and started her own Internet advertising business, Advantage Advertising.

Operating out of the one-bedroom apartment she shared with her daughter in Troy, Alabama, Laura began with only one small business client. Seeking big name clients that would prove her firm's credibility, she bravely made an offer to representatives of Encyclopedia Britannica and of The Thomas Register whom she met at a trade show. She would handle their online advertising purchases, such as banner ads, free of charge for a period of time. In return they would become her clients if they were satisfied with the quality of her service. Intrigued, they gave her a chance, and she quickly proved her worth, making these large companies her first major clients.

This gave Laura the visibility and credibility she needed to attract additional clients, and she has enjoyed a thriving, profitable, growing business ever since. Today you can find her firm at www.theadfirm.com. Specialists in advertising construction products, her clients include Rheem Water Heaters and Tendura Flooring. Her advice to future entrepreneurs? "Accept challenges. Don't be afraid to think outside the box." It worked for her.

DISCUSSION QUESTIONS

1. Why did Laura Tidwell decide to become an entrepreneur?
2. What skills did she develop to become a successful entrepreneur?
3. What opportunities did Laura find and pursue?

The Psychology of Entrepreneurs

LO1 Recognize the key aspects of the entrepreneurial personality.

In the opening vignette above, Laura Tidwell displayed three of the key characteristics of successful entrepreneurs introduced in Chapter 1: she believed in herself and her ability to create a business that would let her work and take care of her daughter, she sought out help from others to learn her business, and she persevered over several years until she achieved her goal. These are aspects of Laura's behavior, her way of looking at and thinking about herself and her world, which is called **cognition**, and her visible **actions**. Is Laura's pattern of entrepreneurial behavior the only type there is?

cognition
A person's way of perceiving and thinking about his or her experience.

action
The visible behavior a person takes.

The answer is that there is no one pattern of entrepreneurial behavior or entrepreneurial type. In Chapter 1 we broke up the entrepreneurs around the world into opportunity-driven and necessity-driven types. We talked about entrepreneurs in corporate, social, and independent settings and how their focuses differed. We even discussed the four kinds of overall growth strategies entrepreneurs typically design their businesses around. There are literally hundreds of ways to think about entrepreneurial personalities. That is good because it means there can be more than one personality type that can lead to success, and it increases the likelihood that there is an approach to entrepreneurship that will fit with your interests and style.

Successful entrepreneurial behavior leads to the creation of a new firm that meets the goals of the entrepreneur. Some parts of entrepreneurial behavior can be done in very different ways, while some elements tend to be more consistent across people. In this chapter we will consider the ways people are different, the ways they are the same, and close with a look at the patterns leading to successful entrepreneurial behavior for several distinct groups of entrepreneurs.

The Five Ps of Entrepreneurial Behavior

There are five aspects of behavior that most successful entrepreneurs display. These are not the only possible behaviors that you could consider, but they are behaviors that have been shown in the research to relate to success among entrepreneurs. The five behaviors include the following:

passion
An intense positive feeling an entrepreneur has toward the business or the idea behind the business.

1. **Passion:** Passion is an intense positive feeling the entrepreneur has toward the business or even the idea behind the business. It comes from being actively involved in moving the business forward. Passion has multiple benefits, such as increasing your commitment to the business (which relates to perseverance), and inspiring key stakeholders like potential investors, employees, or subcontractors. Passion is displayed in three ways: (1) by looking at the challenges of the business in a creative way, (2) by being persistently focused on the business, and (3) by being absorbed by the tasks and concerns of the business.[2] When we talk about entrepreneurs who "live for the business," we're talking about passion. When you see entrepreneurs get excited as they describe something about their business, we see and respond to their passion.

perseverance
The ability to stick with some activity even when it take a long time and its outcome is not immediately known.

2. **Perseverance:** Perseverance is best thought of as a type of learned optimism,[3] the ability to stick with some activity even when it takes a long time, and when a successful or unsuccessful outcome is not immediately known. It is one of the most powerful contributors to entrepreneurial success like that of J. J. Rosen who literally taught himself programming to make his business work (see Small Business Insight box on page 32).[4] In Chapter 1, we talked about

Passion is an intense positive feeling about what you do, and this entrepreneur clearly has it. How do you display passion when you feel it?

the strategy of perseverance with the old expression "If you don't succeed the first time, try, try again." Trying again is the behavior behind perseverance, but requires thinking about what went wrong and what went right, and adjusting your next try to achieve a better result. Behind this thinking and behavior is the attitude of *learned optimism,* knowing that you can and will keep at this until you have mastered it.[5] The danger is to keep trying the same action repeatedly without learning. That is a problem behavior called *perseveration*.

3. **Promotion/Prevention Focus:** Most of us have some mix of two internal focuses (also called our regulatory focus), a **promotion focus** intent on maximizing gains, which gives us a bias toward pursuing opportunities likely to lead to those gains, and a **prevention focus** intent on minimizing losses, with a bias toward inaction or protective action.[6] Being a successful entrepreneur involves balancing the two focuses. In an established industry or a poor one, a prevention focus can work well, while a promotion focus can yield better results in richer, dynamic, uncertain environments or industries.[7] A reckless pursuit of opportunity may bankrupt your company, while a protection-at-all-costs focus may mean you will miss the opportunities necessary to keep cash flowing into your firm. Successful entrepreneurs deal with preventing problems by planning ahead of time and creating actions to avoid or deal with problems. For J. J. Rosen, keeping his day job until his software business took off was one way to protect his family and business. Those same successful entrepreneurs also plan where to find opportunities and how to pursue them. But planning is rarely perfect; you have to be ready to act when the situation demands it. Your own promotion/prevention balance is likely to come into play in those quick decision situations. Trust your plans, and where the plans don't have the answer, trust your "gut" or intuition. Entrepreneurs may have regrets about their choices, but they generally feel better having taken charge of the choice process.[8]
4. **Planning Style:** There is more than one way to plan. In fact, there are five ways.[9] **Comprehensive planners** take a long-term view, develop long-range plans for all aspects of the business, are comfortable with planning, and act based on the plans they've developed. **Critical-point planners** plan around the most important aspect of the business first, act on it, and then consider if additional plans are needed. It is not a very long-term approach to planning. **Opportunistic planners** generally start with a goal and look for opportunities to achieve it. Once they find a good opportunity, even if it isn't the one related to their original goal, they act on it, so it is very short term in orientation. **Reactive planners** are completely passive, waiting for cues from the environment to determine what actions to take. Their focus is entirely short term, and there is little in the way of goals driving their efforts. They can make the most of a

promotion focus
An entrepreneur's attention to maximizing gains and pursuing opportunities likely to lead to gains.

prevention focus
An entrepreneur's attention to minimizing losses, with a bias toward inaction or protective action to prevent loss.

comprehensive planners
Entrepreneurs who develop long-range plans for all aspects of the business.

critical-point planners
Entrepreneurs who develop plans focused on the most important aspect of the business first.

opportunistic planners
Entrepreneurs who start with a goal instead of a plan and look for opportunities to achieve it.

reactive planners
Entrepreneurs with a passive approach, who wait for cues from the environment to determine what actions to take.

SMALL BUSINESS INSIGHT

J. J. Rosen and Atiba Software and Consulting[10]

After graduating from Vanderbilt University in 1992 as a psychology major, J. J. Rosen landed his first job as a child-support coordinator for the Tennessee District Attorney General Conference, an administrative branch of the state's court system. As he closely observed the work processes, he soon realized that much of the work performed by the state's child-support collection agencies could be done more efficiently and effectively if it were computerized. There were just two problems—many of these agencies had no computers, and no specialized computer software existed to handle the type of functions needed by the organizations. J. J. set out to resolve this problem, fulfill a need, and take advantage of this potential business opportunity.

Here J. J. faced his third problem—while he had an idea for software, he did not know how to write a computer program. Driven to make his idea a reality, J. J. taught himself this skill. A few months later he had mastered programming well enough to create child-support services software that could track child-support payments and collection efforts. With this product, the Atiba Software and Consulting Company was born as a part-time venture. Promoting his software as a better idea and offering very low prices to get an initial customer base, he sold the software statewide. Soon his business was growing through word-of-mouth advertising, and he landed his first major client, Andersen Consulting, within a year of starting. Only then did J. J. quit his job in the district attorney's office and embark on his own business full time. By 2012 Atiba had more than 500 clients. For J. J., the idea drove the business, carefully.

situation because there is no other plan competing for their attention. **Habit-based planners** do not really plan at all because their actions are dictated by their routines. They do today what they did yesterday. They don't plan, and they don't even tend to react to changes in their environments. Simply put, results from small business owners in countries around the world have shown that in terms of getting a start-up launched, keeping it going, and making a living from it, comprehensive planners do the best, followed by critical point planners, and opportunistic planning types.[11] Reactive and habit planners generally do very poorly in business, even if they manage to get their firms started.

5. **Professionalization:** One hallmark of successful entrepreneurs is that they usually do at least one thing much better than average. That average is called a **standard business practice** and every industry has them. Doing that level or better is what professionalization is all about. There are three levels of professionalization: **expert professionalization** when most aspects of the business meet or exceed the industry's standards, **specialized** when one or two aspects of the business are at this level, or **minimalized** when none of the business can achieve the industry standard. Consider the oldest professionalized firm in the world, the Zildjian Company. The company started in Turkey in 1623 with a formula for making an alloy ideal for cymbals. At this stage the company was specialized. In 1929, when Avedis Zildjian inherited the company, he moved it to America and applied his marketing, financial, and business knowledge to bring the firm up to the level of expert professionalization, where it remains today.[12]

Notice that these behaviors are relevant to more than starting a business. They are useful behaviors in business in general and even in life. If you are an employee, your bosses will want you to show passion (often called engagement) in the business, be persevering and strike a balance of promotion and prevention. The fact that these five ideas are behaviors means that you can learn how to display them, even if it is not the way you were behaving originally. That is what education, skill development, and practice are all about. Each of these types of behavior can be assessed formally using psychological questionnaires, but you can make a general assessment with items like those in Skill Module 2.1.

habit-driven planners
Entrepreneurs who do not plan, preferring to let all actions be dictated by their routines.

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.

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.

specialized business professionalization
A situation that occurs when businesses have founders or owners who are passionate about one or two of the key business functions, such as sales, operations, accounting, finance, or human resources.

minimalized business professionalization
A situation that occurs when the entrepreneur does nearly everything in the simplest way possible.

Entrepreneurial Personality Overview[13]

SKILL MODULE 2.1

The complete assessment of each of the five Ps would require more than 100 questions, but you can get a very general sense of how you lean by answering and scoring the questions below.

In the following questions, determine how strongly you agree with the statement from 1 (Strongly Disagree) to 5 (Strongly Agree). If you are not sure, make your best guess.

	Strongly Disagree				Strongly Agree
1. I am better than my peers at being able to solve problems.	1	2	3	4	5
2. I am better than my peers at making money.	1	2	3	4	5
3. I am better than my peers at being creative.	1	2	3	4	5
4. I am better than my peers at getting people to agree with me.	1	2	3	4	5
5. I am really excited to be establishing a new company.	1	2	3	4	5
6. I am really energized by owning my company.	1	2	3	4	5
7. I am really in love with creating a new firm.	1	2	3	4	5
8. I am really excited to create something out of nothing.	1	2	3	4	5
9. I really enjoy nurturing a new business through its emerging success.	1	2	3	4	5
10. My personal philosophy is to do “whatever it takes” to establish my own business.	1	2	3	4	5
11. I would rather own my own business than earn a higher salary employed by someone else.	1	2	3	4	5
12. Owning my own business is more important than spending time with my family.	1	2	3	4	5
13. There is no limit to how long I would give a maximum effort to establish my business.	1	2	3	4	5
14. Overall, I am more oriented toward achieving success than preventing failure.	1	2	3	4	5
15. I often think about the person I would ideally like to be in the future.	1	2	3	4	5
16. I frequently think about how I can prevent failures in my life.	1	2	3	4	5
17. I am anxious that I will fall short of my responsibilities and obligations.	1	2	3	4	5

For the next set of questions, rank them by putting a “1” by the statement that most closely fits your approach or belief, “2” by the next closest fit, and so on.

Rank (1–5)	
	A. I am most comfortable when I have planned for everything.
	B. If I’ve taken care of the biggest challenge, I feel my job is done.
	C. I am always looking for the next big thing, and when I find it I go for it.
	D. If someone offers me a good opportunity, I’ll go for it.
	E. Whatever happens, I stick to what I have been doing all along.

For the next set of questions, rank them by putting a “1” by the statement that most closely fits your approach or belief, “2” by the next closest fit, and so on.

Rank (1–3)	
	F. I feel best when everything I do is done the best way possible.
	G. I think it is important to be known for doing one thing extremely well.
	H. I believe it is more important to get the job done than to try and make it perfect.

Scoring of the Entrepreneurial Personality Overview can be found in endnote 14 in the back of the text.[14]

LO2 Assess the operational competencies of the successful entrepreneur.

competencies
Forms of business-related expertise.

Entrepreneurial Operational Competencies

All the aspects of the entrepreneurial personality depend on hard work, but there are other specific types of business-related expertise—called **competencies**—that appear repeatedly in successful entrepreneurs around the world.[15] While there could be as many competencies as there are personality types, theories, like the BRIE (boundary/resources/intention/exchange) model introduced in Chapter 1, help us focus on those few competencies that are essential to successfully starting and running a business. After you have read about these entrepreneurial competencies, use Skill Module 2.2 to assess your competencies.

SKILL MODULE 2.2

Competency Self-Assessment

In this exercise, rank your skill or competency at different types of business activities. The goal is to see where you feel you have strengths and on which competencies you need to work. For each skill, think of a person or a company that does a really good job at that activity. Then compare your own performance to it using one of four levels of competency: *needs development* means that you still have to learn the skill; *needs refinement* means that you have the rudiments of the skill, but still need to practice it and carefully check your performance; *competent* means you can perform the activity consistently and without mistakes; *excellent* means you perform the activity as well as your role model, or nearly so. The categories of competencies are built from those listed in the text.

		Level of Competency			
Skill	Role Model	Needs Development	Needs Refinement	Competent	Excellent
Key Business Functions					
Sales					
Operations (production)					
Accounting					
Finance					
Human resources					
Industry Specific Knowledge					
Industry expertise					
Industry skill					
Market knowledge					
Ability to diagnose					
Ability to see opportunities					
Resource Competencies					
Business information					
Business financing					
Space for the business					
Raw materials					
Support people					

Determination Competencies					
Business as primary focus					
Ability to manage time					
Ability to find/get help					
Ability to sustain relationships					
Willingness to act					
Opportunity Competencies					
Found profitable idea					
Idea imitates with a twist or is new, but tested					
Idea is hard to copy					

Entrepreneurs often find it useful to copy this list and ask people who know them well to fill it in with them in mind. Good examples can include business consultants or bankers, people who have worked with you, or even family members. Comparing what others see to what you see in yourself can help you put in perspective which skills need further development or better demonstration to others. In big business, such an approach is called "360 degree feedback," but it can also be applied in small businesses.

The competency suggested by *boundary* relates to the organizational and business processes of a firm. This type of expertise can be called *basic business competency*.[16] There are certain fundamental activities that all businesses must perform, which are called the **key business functions**, and include sales, operations (also called *production*), accounting, finance, and human resources. Getting organized and registered—which creates the boundary—is an example of an operations activity.

key business functions
Activities common to all businesses such as sales, operations (also called *production*), accounting, finance, and human resources.

There is also **industry-specific knowledge**. A restaurant really is different from a mechanic's shop or a computer store or a portrait studio. Each requires you to understand a particular industry and market, and each requires a very particular kind of skill. This was a large part of the reason that Laura Tidwell, in the example at the start of this chapter, worked for others before going off on her own. Some of these skills focus on knowing your new business and its context (Chapters 5 and 6), having the kind of skills that fit the business, being able to diagnose your business's health (Chapters 8, 12, 13, 17, and 18), and being able to see future business opportunities while doing your everyday work (Chapters 4, 7, and 20).

industry-specific knowledge
Activities, knowledge, and skills specific to businesses in a particular industry.

Resources lead to specific **resource competencies**.[17] For even the smallest part-time business, the entrepreneur needs to find or gain access to resources such as time, information, financing, space for the business, raw materials, and a variety of people (advisers, suppliers, service providers, customers). For J. J. Rosen of Atiba Software, getting the computer programming knowledge was critical. Knowing the best place to get raw materials or set up your operation, finding better information than your competition on your market, or having enough financing to ride out downturns in sales are examples of resources that could give you an advantage. You'll learn more about gathering resources in Chapter 5 (Small Business Entry: Paths to Part-Time Entrepreneurship), Chapter 11 (Small Business Distribution and Location), Chapter 14 (Cash: Lifeblood of the Business), Chapter 15 (Small Business Finance: Using Equity, Debt, and Gifts), and Chapter 19 (Human Resource Management: Small Business Considerations).

resource competencies
The ability or skill of the entrepreneur at finding expendable components necessary to the operation of the business such as time, information, location, financing, raw materials, and expertise.

Intention reflects your determination to start your business and make it a success. These determination-driven skills can be called **determination competencies**[18] and are demonstrated by focusing on your business over other choices and being ready to find out about and do what it takes to pursue opportunities that will help get the business going. The entrepreneurs we have mentioned in this chapter—Tidwell and Rosen—displayed tremendous determination to do the work

determination competencies
Skills identified with the energy and focus needed to bring a business into existence.

Look carefully at this photo of a Common Dog vehicle. How do the descriptions of product services, contact information, and endorsement slogans all demonstrate Common Dog's grasp of opportunity competencies?

and stick with the business through thick and thin. Many of these determination competencies are essential to deciding if a business is feasible for you, a topic that is covered in Chapter 4 for the time before you start a business and in Chapter 20 for businesses already in operation. Time management competencies are covered in this chapter in the section on Family Businesses. The competencies related to getting help are seen in Skill Module 1.1 and in Chapter 3, where we will look at the social skills related to building and sustaining legitimacy and relationships.

Exchange deals with the actual process of exploiting the opportunity for profit—which is a fancy way of saying "making sales." The competencies that make this work are called **opportunity competencies**,[19] which include identifying an opportunity, a product, or service idea that is likely to lead you to a profit and is ideally distinctive to your firm and, you hope, hard for others to copy. For Bill Gates and J. J. Rosen, the opportunity each found was for creating software that would make life and work easier. You'll learn more about the opportunity process and protecting opportunities through strategic planning in Chapter 4 and Chapter 7, where we will discuss the strategy of imitation with a twist.

opportunity competencies
Skills necessary to identify and exploit elements of the business environment that can lead to a profitable and sustainable business.

Research suggests that people can learn what they need to know to have adequate levels of expertise in all five competency areas. In fact, students who go through formal training or classes often score higher on the expertise tests than people running businesses.[20] In addition to training or classes, you can get consulting assistance from public or private sources, or you can even buy expertise in package form by adopting industry standard techniques. You can use state-of-the-art services or you can franchise.

The presence and absence of certain skills makes a tremendous difference in distinguishing those who start businesses from those who don't. But for those businesses that do get started, the amount of expertise is what distinguishes the more successful from the less successful firms. The concern about expertise leads to thinking about the level of professionalization you choose to use in your firm.

The Sociology of Entrepreneurs

Entrepreneurs can be as strongly affected by their social or sociological characteristics as by their personality characteristics.[21] These sociological characteristics relate to the social groups to which they belong. Family, gender, race, nationality, religion, age, and other types of group memberships, such as being a member of a team or a veteran, are typical examples. Some of these memberships are important enough that they are protected from discrimination by federal laws, and government and companies dealing with the government make special efforts to support members of those groups.

Others lack such protections but are still powerful influences on the individual entrepreneur. The challenges members of these groups face share some similarities, as do the programs designed to support them. To get an idea of how this works, the section below considers entrepreneurs in family businesses and teams, women entrepreneurs, and second-career entrepreneurs. While there are lessons and advice given for each of the groups below, the lessons can apply to everyone, for example, the techniques of time management, which are discussed in the Family Business section, or the methods for managing idea ownership, discussed in the Teams section.

Family Businesses

LO3 Describe the challenges of family business owners.

We think that the U.S. economy is built on an array of very large, publicly held companies—General Motors, Boeing, IBM, Bank of America, Exxon, and others—but this is only part of the picture. Many of America's largest companies—Mars, Hallmark, Dell, Motorola, Nordstrom, Campbell Soup—fully one-third of the S&P 500 companies—are family owned and managed.[22] Small and large, they make up over half the businesses in the United States historically and were the creators of well over half the new jobs in the United States.[23] But our interests are in those small businesses that are also family businesses, and those represent 39 percent of American businesses, or about 10.8 million firms. Defined as firms with a majority family ownership and direct daily family involvement, **family business** is a major economic force, employing 58 percent of America's total workforce.[24]

family business
A firm in which one family owns a majority stake and is involved in the daily management of the business.

Small, family-owned businesses have many advantages. If the business is managed at the top by a group of tight-knit family members, communication-based integration can be more effective, and decision making can be easier and quicker.[25] A strong family bond can become a strong business culture, enabling members to make effective, coordinated decisions with little or no formal communication. Family members already have developed strong relationships and interact on a regular basis both in and outside the workplace. Families are a major source of funds and personnel for new small businesses,[26] providing a support network made up of people the entrepreneur knows and trusts. Family businesses are also a self-perpetuating source for future small businesses. Many new entrepreneurs have been raised in families in which one or both parents or other relatives owned a family business,[27] as you can see in the examples of the Ross and Enstrom families below. As children of family business owners, these individuals learned how business works by observing their family at work. They gained early experiences that helped them develop the skills, competencies, and self-confidence that contributed to later decisions to become entrepreneurs and to their ability to succeed.[28] In fact, most entrepreneurs come from families of entrepreneurs.

There are two challenges typical to family businesses—role conflict and succession.[29] **Role conflict** describes the kind of problem that arises when people have multiple responsibilities, such

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.

SMALL BUSINESS INSIGHT

Two Routes to the Family Business[30]

Ross's Teal Lake Lodge and Teal Wing Golf Club is a family-owned business. Victoria Ross began helping wait tables at the Hayward, Wisconsin, resort when she was only 6 years old. By the time she was 18, she had moved into management positions. Having already earned her bachelor's degree in business administration, she is now working on her master's in global tourism. At 25, Ross is ready to take over the family business.

Jamee Enstrom Simons took a different track to management of her family's business, Enstrom's Almond Toffee. She began working in the company when still a child, hand dipping chocolates after school. Jamee eventually became a registered nurse, but when her parents expressed interest in selling the company, she and her husband bought it in 1993. Under her leadership, sales revenues for Enstrom's Almond Toffee reached $10 million in 2001.

Ross and Simons both gained the confidence and skills they needed to succeed as small business owners from their early experiences in the families' businesses.

as parent and boss, and each makes different demands on them.[31] As a boss, you might want your daughter to stay at the store and work, while as a parent you might want your daughter to take time off to be with her own children. Role conflict is at its worst when people fail to recognize it. Often, reminding yourself and others that you face multiple, conflicting roles helps them understand the types of choices that must be made and the kinds of decisions that are most important.[32] For family business, the most effective approach for avoiding role conflict is to keep family issues out of the family business, as you can see in the case of Boyd Coffee (see Small Business Insight box on page 39). Whenever possible, try and make decisions based on business necessities. When making a decision from a family perspective, broaden it to apply equally to nonfamily as well as family members. For example, if family members in the business can take off for their children's graduations, so should employees who are not part of the family.[33]

Role conflict breeds another unending problem—the shortage of time. Entrepreneurs are among the most rushed people in the workforce. Part of this comes from the responsibilities of ownership. Entrepreneurs are *always* working, even if it is just thinking about what to do next at work. Add family responsibilities, and schedule overload is almost a certainty. There are, however, a collection of techniques for **time management**, which can help meet the challenges of schedule overload. Consider these basic methods:

time management
The organizing process to help make the most efficient use of the day.

- **List**—Whether you use a pad of paper, a specialized form like a Franklin Planner, a PDA, or Microsoft Outlook's Task function, the key to staying on top of your responsibilities is to list them as soon as you get them. Then as you finish them, you can enjoy crossing them off the list.
- **123 Prioritize**—As you look at your list, prioritize your tasks based on their *importance* to your business and their *due date*. The most important tasks due soonest get a priority of 1. Tasks with lesser importance or a longer time to completion get ranked 2, and your "back burner" concerns get ranked 3. If there are tasks (of any level) that can be lumped together, so much the better. How do you decide importance? If the task will not help your business or family, it is probably not a priority 1 task.
- **Delegate**—Look at your task list and see which tasks you can get others to do for you (for free or at a price). When you're overloaded, getting more people on the job for you is a powerful way to get more done.
- **Repeat**—Take a few minutes every day to repeat the above steps. It will save you time later.

Planning together for the future is key to the success of family businesses. What other factors are important?

- **Strategize**—Once a week, take a few minutes to look at the things you *didn't* do this week and check if you are overlooking something which could be important to your business, family, or yourself, but is getting overlooked in the short run. Entrepreneurs are notorious for overlooking their health and cheating themselves and their businesses out of time to think about the big picture and their firm's future. Ten minutes a week spent this way can make a world of difference.[34]

Thirty-nine percent of U.S. family-owned businesses are expected to face the retirement or semi-retirement of their CEO within the next five years. This statistic grows in importance if you factor in the idea that only one-third of family-owned businesses survive beyond the first generation.[35] Part of the problem can be an entrepreneur, like Rudy Boyd, who has difficulty letting go. Problems can arise when the owner cannot come to grips with retirement or envision someone else running the company.[36] Owners often resist giving up control and undermine—consciously or unconsciously—potential successors.[37] This is a problem because top managers at family firms tend to stay in their positions much longer than those at nonfamily firms. One study found that CEOs of family firms had an average tenure of 17 years as opposed to just 8 years for CEOs in other businesses.[38]

When the current owners are ready to think about what follows them, we get into **succession**—the process of intergenerational transfer of a business. Often the lack of a clear succession plan is the death knell for those family firms facing their first intergenerational transition.[39] If the founder dies, becomes seriously ill, or is incapacitated before he or she can groom a successor, the new family leader may be suddenly thrust into the role before coming up to speed on vital company information and developing needed skills. Also, in the absence of a succession plan, private and public dissension among various factions of the family becomes more likely, negatively affecting operations within the firm, and may eventually cause the business to fail.[40]

succession
The process of intergenerational transfer of a business.

SMALL BUSINESS INSIGHT

Boyd Coffee[41]

Boyd Coffee, started in 1900 in Portland, Oregon, had survived its first transition from founder P. D. Boyd to heir Rudy Boyd. Rudy's sons, David and Dick Boyd, grew up working in the family business. In 1975, Rudy officially retired, but he refused to leave the business. Even though David, the eldest son, became the CEO, Rudy stayed on as chairman of the board, and for many years he remained an active and influential presence around the company—often to the irritation of son David. A few years after Rudy's "retirement," the board of directors of Boyd Coffee—Rudy, his wife Ellen, David, and Dick, then president—voted 3–0 (with David abstaining) to remove David as CEO and name Dick the new CEO.

David and Dick believed the management change was based solely on members of the family taking sides in the David/Rudy conflict, rather than on sound business judgment. With the loss of the CEO position, David also wondered whether he had originally received the job because he had earned it through hard work and demonstrated ability or simply because of his name and family position as the eldest. Although after the awkward switch the brothers continued to work together for many years, their personal and professional relationships deteriorated to the point where they seldom communicated. The tension and lack of coordinated effort between the two inevitably led to the financial decline and instability of Boyd Coffee. Finally, in 1997, David threatened to dissolve the company. Only when faced with such a drastic possibility did the brothers begin the slow and difficult process of reconciliation.

With the assistance and guidance of outside advisers and consultants, the brothers have now made succession planning their top priority. They have established a family trust that allows younger family members the opportunity to leave home and develop their business skills and networks independently. The brothers also have encouraged their children to gain work experience outside the family business before deciding whether they want to return to work for the company, something the brothers never got to do.

As is true of so many things in a successful small business, the answer lies in taking a professional approach to the problem. In this case the professional approach involves crafting a succession plan like the one created by Boyd Coffee after Dick became president. Succession plans deal with the people who will take over, what roles they will fill, and what supports (such as training, outside assistance, voting power, resources control) they will receive.[42] Problems arise when there are no successors available within the family. One study found that only 5 percent of all entrepreneurs were able to rely on family members to take over.[43] Sometimes none of the children have an interest in the family business. The opposite problem arises in situations like that at Boyd Coffee when several family members believe they should take over the top spot and vie for the position to the detriment of both family and business. Problems like the Boyd Coffee competition remind us that it is important to plan how disputes will get resolved. Expect those disputes. The owners of a family business tend to be especially passionate about their enterprise, because they have a huge economic incentive to pay very close attention.[44]

One way to maximize communication in the succession process is to create a family council. A family council includes family members with immediate interests in the business (spouse, sisters and brothers, older children, etc.). The focus of council meetings is the business-family relationship. The meetings can also be a good forum for grappling with issues like role expectations, commitment, and personal responsibility.[45]

An advisory board, or a formal board of directors, can also contribute important skills and strategic direction. At Helzberg Diamonds, Barnett Helzberg Jr. set up a board to confront planning issues and to "help bring order (read *professionalization*) to the seat-of-the-pants decision making" at the firm. The board was critical to succession planning at Helzberg when trusted board members convinced Mr. Helzberg that he needed to step aside as president. He brought in someone else who had the skills to lead day-to-day operations while keeping the chairmanship himself.[46]

The key difference between a family council and a board of directors is that the function of the family council is to keep the family involved while the board is focused on running the business. The board includes significant nonfamily membership.[47] Careful use of a family council can also help by keeping family members involved in an appropriate way, allowing you more room to maintain a different balance with your board of directors.[48]

In addition, a good plan, like the one Boyd Coffee developed, also talks about the handling of the assets of the company in order to minimize the tax burden on the family and the firm and provide a suitable income for the former owner and his or her household. Because of the legal, tax, accounting, and leader development complexities, succession planning is best done with the advice of experts.[49] For family councils and boards of advisers, it is often helpful to get professional advice at the start, and then continue on your own. One organization that tracks experts in family business is the Family Firm Institute.

One special situation of the family business is the case of a married couple who jointly own and manage their business.[50] You only need to consider the divorce rate in general to realize that marriage and business can be a volatile mixture. The problems of a lack of agreement, difficulty keeping business and family issues separate, and how to handle endings[51] are very much in evidence in couples' businesses, and the solutions are very much the same—being clear about responsibilities, trying to maintain boundaries between work and home, having outside advisers to help sort out thorny issues, and planning for how the firm might end or change.[52]

Entrepreneurial Teams

LO4 Recognize the special nature of entrepreneurial teams

While the classic image of the entrepreneurial small business would involve the image of the solo entrepreneur, the modern reality is different. The majority of new businesses have a team of two or more co-owners, and the trend is toward even more businesses being developed by teams of entrepreneurs. Figure 2.1 shows you the latest breakdown from the Panel Study of Entrepreneurial Dynamics.

PSED

Most teams are family related. In fact 53 percent of teams are spouses or life partners working together. Another 18 percent of the teams have different arrangements of family members working together, while only 15 percent of teams are composed of unrelated business associates.[53]

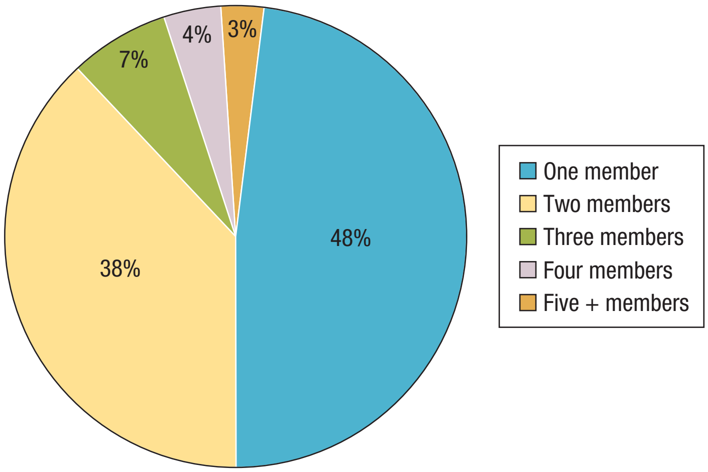


FIGURE 2.1

Number of Owners Involved in Start-Ups from the Panel Study of Entrepreneurial Dynamics

Adapted from Howard E. Aldrich, Nancy M. Carter, and Martin Ruef (2004). Teams, In Gartner, William B., Shaver, Kelly G., Carter, Nancy M., and Reynolds, Paul D., eds. *Handbook of Entrepreneurial Dynamics: the Process of Business Creation.* Thousand Oaks, CA: Sage, 2004, Table 27.1, page 307

That means about 520,000 new firms a year are started by teams, with about 442,000 started by family teams. [54]

Why so many teams? There are advantages to a team. When family members start a business, they start with already knowing and trusting each other. Teams are also likely to have more money, time, and expertise to put into a business. If the team members live together, they can save even more for the business.

When putting a team together it is important to work out key issues ahead of time. For example, team members might be putting different amounts of money or time into the business, but might be expecting identical returns, which creates an equity problem.[55] A team can also face conflict over idea ownership (see The Thoughtful Entrepreneur box below), shared goals and how to make decisions, especially when the team is evenly split on choices.[56] Legal solutions to setting up partnerships are discussed in Chapter 18, and the solutions mentioned above for couples—being clear about responsibilities, trying to maintain boundaries between work and home, having outside advisers to help sort out thorny issues, as well as planning for how the firm might end or change[57]—work just as well for teams composed of unrelated individuals as they do for couple-based teams.

THE THOUGHTFUL ENTREPRENEUR

MANAGING IDEA OWNERSHIP ON A TEAM

In one of my classes students were supposed to work on teams around an idea. Greg, a student in the class, had an idea for an iPad stand with embedded lights that would pulse in time to music. He did a quick look online and did not find any such products available yet. The professors approved the idea as a project possibility for the class.

Greg described the idea to the class, and two other students, Nancy and Jim, joined the team. They all worked on the project and did the presentation for a grade. After that, Greg said he wanted to concentrate on getting into law school and was planning to put the idea on hold. Nancy, however, wanted to go ahead with the idea and kept working on it. When Greg found out, he want ballistic. “She stole my idea!” he would tell anyone who would listen.

The disputing alums came back to the professor. The first question was what was said to Nancy and Jim about ownership rights when they joined the team. It turns out Greg had not specified anything. In his own mind, however, Greg thought it should be obvious that the idea was his and that Jim and Nancy were contributing their labor for a grade. In Nancy’s mind, it was clear that she and Jim were Greg’s partners in the business, contributing their time, ideas, and sweat equity. Now they had to negotiate after the fact.

Ownership problems like this happen all the time in teams. The best way to handle it is to come out right at the start and specify or negotiate who owns what. There is no one “right” answer; it depends on how the group and their larger organization (the school) handle it. Some schools maintain that all ideas generated for school projects belong to the school. Others say the idea belongs to the student, but in that case, which student?

Where there are no school rules defining "ownership," everything starts with the person who has the idea. If the person with the idea wants to keep absolute rights to the ownership, he or she should not take on other team members, or take on only members who agree (in writing) that the idea belongs to its inventor, even after noninventing students contribute their work to it. Why would students work without ownership? It can be for a grade or to save themselves from having to come up with their own idea for the class, or for the experience, or for the bragging rights of "I helped bring that to market." On the other hand, the noninventing but contributing students can try to negotiate some ownership rights. But whatever is decided, the students involved should make sure everyone has a copy of it. Emailing the agreement is a good way to show everyone was sent it at the same time.

LO5 Identify the challenges women and minority business owners face.

Women and Minorities in Small Business

Women-owned businesses are one of the fastest growing sectors of all U.S. businesses.[58] Between 1997 and 2012, the number of private businesses with at least 51 percent female ownership increased by 54 percent, while the rate for firms overall was 37 percent.[59] Around 29 percent of all businesses are majority owned by women, with another 17 percent equally owned by women and men.[60]

Although in 2012, there were 8.3 million businesses owned by women, women-owned firms accounted for only 4 percent of small business revenue nationally.[61] Why the smaller impact? Generally it is explained by the kinds of occupations and industries women choose when starting their businesses. For example, Table 2.1 shows that more women choose service industries that tend to have lower average sales levels, while there are more men in construction and financial industries, which have higher average sales levels. Men also report more high-tech firms, as well as firms where technology is central to the business. Both are associated with higher firm sales.[62]

The entrepreneurs' goals in starting the business might also play a role. For example men more often mention making money as a motivation, while women more often mention having flexibility for personal and family life. The overall growth strategies discussed in Chapter 1 also differ, with more women choosing single-person lifestyle firms over the small business forms that employ others. Along these strategy lines, women prefer less-risky firms, which also tend to be the firms with lower returns.[63] Another idea from Chapter 1 was whether the entrepreneur chooses to start a business to pursue opportunity or out of necessity, here however American women and men report similar trends, with about 70 percent of each group mentioning opportunity.[64]

TABLE 2.1 **Percentage of Women Entrepreneurs in Different Industries, 2012[65]**

Industries with More Women Than Average*	Percentage	Industries with Fewer Women Than Average*	Percentage
Health Care and Social Assistance (doctors, dentists, residential and child care)	52.9	Professional/Scientific/Technical Services (lawyers, CPAs, consulting)	29.1
Educational Services	45.2	Accommodation and Food Services	24.7
Personal Services (e.g., beauty salons, dry cleaners, auto repair, etc.)	40.3	Finance, Insurance, and Real Estate	21.3
Administrative Services	36.9	All other industries	18.6
Retail Trade	34.0	Construction	7.5
Arts, Entertainment, and Recreation	30.5		

*The average percentage of women across all industries was 29.2 percent.

Source: *The American Express OPEN State of Women-Owned Businesses Report—A Summary of Important Trends, 1997–2012.*

Women-and minority-owned businesses are rapidly increasing. Due to unprecedented educational and financial opportunities now available What are some of the challenges you perceive still facing minority and women entrepreneurs may be able to tap into which traditional entrepreneurs lack?

Representing approximately 22 percent of all U.S. businesses, the number of minority-owned firms has likewise grown explosively in recent years.[66] While the total number of U.S. self-employeds edged up by only 6 percent between 2000 and 2010, minority-owned businesses witnessed a remarkable 43 percent growth rate. During that same time period, the number of African American-owned businesses climbed by 13 percent, Hispanic-owned businesses by an incredible 86 percent, and Asian or Pacific Islander-owned businesses by 6 percent.[67]

What are the reasons for such phenomenal growth in the number of minority entrepreneurs? The establishment of both public and private funding and networking initiatives have helped to level the business playing field for minority entrepreneurs by offering information, advice, and funding access. Another explanation lies in the growth of racial and ethnic groups within the U.S. population, a trend that is expected to continue. The two fastest growing minority groups (Hispanics and Asian Americans) represent the largest segments of minority business owners. Hispanics represent 46 percent of all ethnic business owners, Asians 25 percent, and African Americans 24 percent.[68]

Despite the growth in the number of women and minority entrepreneurs, both groups still face the challenge of access. Access refers to the simplest form of discrimination—often women- or minority-owned firms are simply excluded from the opportunities offered to firms owned by white males. This can result from the way that networks built from interpersonal relations in business exclude women and minorities. When business relationships build from shared hobbies, sports, or even college ties, social situations that are all male or largely white outside of work can lead to unintegrated business networks.

Access problems for women- and minority-owned small businesses crop up most often as discrimination in financing.[69] This means that they may not be given the same access to funds[70] or contracting opportunities[71] that white male-owned firms are given. For example, a national survey of small business finances found that minority business loan applicants were denied at twice the rate of whites, even though application rates did not vary by race.[72] The same study found that Asian and Hispanic business owners pay higher interest rates on their loans. These differences in loan denial rates and in interest rates occurred even when all business-related differences were considered.

There are two solutions for access-based challenges. One solution is institutional, when minority- and women-owned small businesses pursue dedicated contracting funds, known as **set-asides**, among big companies and government agencies. The good news is that governments at all levels have special contracting opportunities for small businesses that are owned and operated by minorities or women. For example, the U.S. government allocated nearly $23.5 billion on set-aside based contracts in 2011.[73] Big companies and those with government contracts also have similar programs, typically with two to three times.as much money as the federal government allocates.[74] Qualification for set-asides requires certification as a business owned and operated by a woman or a minority (or both).[75] For corporations, certification is handled by organizations that are not affiliated with the government or big business, such as the National Minority Supply and Diversity Council

set-asides
Government contracting funds which are earmarked for particular kinds of firms, such as small businesses, minority-owned firms, women-owned firms, and the like.

certification
An examination based acknowledgement that the firm is owned and operated as specified.

or the Women's Business Enterprise National Council. **Certification** consists of proving that the business is truly owned and operated by a woman or minority. A similar process is used by the U.S. government, with the Small Business Administration certifying firms for the SBA's 8(a) Business Development Program, whose details are online at the SBA site. It is also good to know that the Commerce Department has the Minority Business Development Agency (www.mbda.gov/gov/) that can provide help, along with local SBA, SCORE, and Small Business Development Center offices.

Certification is not for every women- or minority-owned small business. For example, the SBA 8(a) and most corporate certification programs require a business to be in operation at least two years. As is true for any program involving government or big business, the small business needs to put more energy and resources into record keeping than it might otherwise do, especially businesses that opt for minimalized or specialized levels of professionalization. For those businesses that qualify, certification provides a ready means of access to opportunity and to networks of businesses and government agencies which can be leveraged to gain access to other sectors of business.

The second approach to solving problems of access is personal and involves making extra efforts to network. As discussed in Chapter 3, building a social network is central to business success. For minority-owned and women-owned businesses, networking is especially important because such firms need to network even more than other types of firms. While networking with other minority-owned or women-owned firms will feel comfortable, and lead to business within that group, the real gains in business require networking in more diverse and potentially less comfortable situations, such as industry and trade associations, chambers of commerce, and the like. Success comes from the number of different types of contacts one makes, and for a minority- or women-owned business, this requires having business contacts from other races, genders, ages, and sectors.

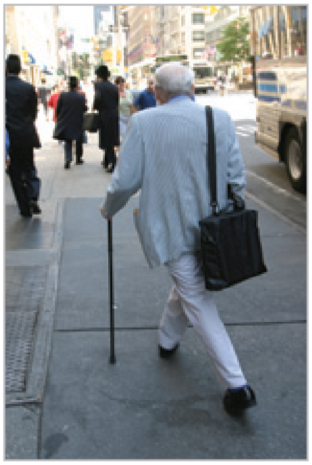
LO6 Describe the situation of people who become business owners later in life.

Second Career Entrepreneurs

late career entrepreneurs
(also known as *second career entrepreneurs*) People who begin their businesses after having retired or resigned from work in corporations at age 50 or later.

A special group of entrepreneurs are called second career or **late career entrepreneurs**—people who begin their businesses after having retired or resigned from work in corporations at age 50 or later. Whether these individuals start their business as part of a postretirement career plan or after early retirement has forced them to reevaluate their lives, a late career as a business owner has become a necessity for them.[76]

As increasing numbers of corporations merge, downsize, reorganize, and/or close altogether, many firms are offering attractive retirement packages to encourage employees to voluntarily leave the organization.[77] Workers are opting to accept generous offers to retire early (between ages 50 and 64). People's decisions of whether to return to work depend on their individual level of wealth (retirement income and savings), their health, and their work experience, as well as general economic conditions.[78]



Second career entrepreneurs face distinctive challenges such as maintaining self-confidence as they retrench themselves.

About a third of the retirees who return to work decide to become self-employed.[79] Those who do face three challenges—adjusting to the entrepreneurial life, reestablishing self-confidence, and keeping personal finances out of the business.

Working for others for most of their life, late career entrepreneurs are likely to have gotten used to having many of the daily chores of running a business done for them. Even for former managers, the mechanics of getting the location cleaned or the payroll checks written may have been things they could take for granted. As entrepreneurs, they have to do these things themselves or arrange to have them done. All entrepreneurs get used to a do-it-yourself approach, and this is a challenge for everyone, but it can be especially trying for late career entrepreneurs, who may have hoped that life would get easier rather than harder later in their careers.

The key for managing the demanding life of the entrepreneur is to get advice from people in your line of business, or from consultants (which can include the free consulting available through Small Business Development Centers or SCORE) about the basic activities of the small business. Make sure you have all the demanding aspects of running a business covered. Pick one or two that are particularly hard or onerous and consider subcontracting those out in order to keep the early stage of the business manageable.

The second challenge comes from a loss of confidence.[80] The stigma attached to older workers' departure from their former job can make a tremendous difference in their level of confidence.

Being given early retirement can be seen as a company's effort to replace expensive (if capable) older talent with junior people who work for less. But being laid off or downsized suggests that the person was expendable at best, deadwood at worst. The difference in labeling makes a difference in the late career entrepreneur's self-confidence.

When there are self-confidence issues, the first solution is to take some time to get over the shock to self-image. Counseling, whether job or psychological, can also help tremendously. When the person is ready, the solution often involves redefining one's life. The goal is to describe life in ways that help the individual take control over it. A layoff becomes an indication that it was time to move on. A downsizing becomes something that occurs to those best able to land on their feet. In taking control over the past, it can become easier to assert control over the present and future.

The second self-confidence solution comes from networking. Entrepreneurs as a group are an energetic and optimistic group. Just talking to people you know, as Donna Herrle did (see Small Business Insight box see below), or joining local entrepreneur organizations, such as the chamber of commerce or the local chapter of a trade or professional organization, can expose you to people full of energy and ideas. This is contagious, and as you hear the stories of perseverance and overcoming challenges that abound among entrepreneurs, the possibilities for a successful entrepreneurial life seem to become more realistic.

The third problem is keeping personal finances out of the business.[81] Often when individuals are laid off or given early retirement, they can receive lump-sum financial settlements. Frequently, people intending to become late career entrepreneurs plan to use a substantial portion of these funds to start the new business. Sometimes this happens because late career entrepreneurs see their personal funds as "easy money," funds that can be obtained quickly and without a lot of hassles. The problem is that many people who take the easy money are also taking the easy way out. They fail to carefully consider how they will invest the money in the business, and how it will be used. Taking the easy way out can often mean late career entrepreneurs underprepare for the rigors of business, and they are risking their retirement nest egg.

For late career entrepreneurs, the solution is to treat their own money as objectively as possible. Invest it only if you can make a strong case that the investment in the business is going to produce reasonable returns. Treat your own money as an outsider's investment. Do a business plan and

SMALL BUSINESS INSIGHT

Donna Herrle[82]

Imagine getting an invitation to a wine and cheese party for a new business, where the owner shows a "before" picture of herself in her corporate garb and an "after" picture of her in her home office, wearing pajamas and slippers, with the adage "change is good" over them both. That is what Donna Herrle, 51, sent to business acquaintances, friends, former co-workers, and family when she started her Pittsburgh graphic design business, Drawing Conclusions. A graphic designer and former sales manager of design and print services, she was out on her own after being laid off from corporate America in 2002. That layoff had set off alarm bells for Donna, who feared the loss of security a regular paycheck had brought her. At loose ends after the layoff, she also wondered what she should, or could, do.

Her turnaround and focus on starting Drawing Conclusions came about from talking to everyone she knew. She was surprised at how many others had been in or were facing the same situation, and the advice she got helped her make her own transition to self-employment. The advice she received again and again was to plan the business carefully and keep networking, and the work would come.

And the work came. One client brought a project to the wine and cheese party, based on Donna's graphically impressive invitation. Five more projects came in within 10 days of the party. Within a year she had over 50 clients and gross sales in six figures.

consider seeking outside funding from friends and family to help keep you honest about the chances for the business.

This chapter starts with the idea that while no single explanation can really cover all 14.7 million self-employed people in the United States, there *are* aspects of the entrepreneurial life that apply to many. Some of these are general ideas, such as the entrepreneurial career or the competencies needed to be successful in small business. There are also types of entrepreneurs that describe many, but not all, self-employed people. Whether we look at attitudinal or behavioral types like the classic entrepreneur or small business owner, or if we look at demographical groups such as women entrepreneurs, the more we know about people pursuing entrepreneurship, the better it is for identifying important issues in their business and personal lives. Every entrepreneur's story is uniquely his or her own, but across millions of entrepreneurs, there are some similarities, and these help make it easier to think about the entrepreneurial process and get the right kind of help to entrepreneurs.

CHAPTER SUMMARY

LO1 Recognize the key aspects of the entrepreneurial personality.

- In addition to self-efficacy from Chapter 1, there are five other key behaviors for entrepreneurial success.
- *Passion:* The intensely positive feeling entrepreneurs have for their business.
- *Perseverance:* The ability to stick to activities over long periods, even in the face of setbacks.
- *Promotion/Prevention Focus:* The behaviors related to pursuing gains and preventing losses.
- *Planning Style:* Ranging from comprehensive to habit-based, this reflects how much and about what you ordinarily plan.
- *Professionalization:* The extent to which a firm meets or exceeds the standard business practices for the industry.

LO2 Assess the operational competencies of the successful entrepreneur.

- Forms of business-related expertise are called *competencies*.
- To be successful, an entrepreneur needs competency in the key business functions (e.g., sales, operations, etc.), industry-specific knowledge, resource competencies, determination competencies, and opportunity competencies.

LO3 Describe the challenges of family business owners.

- Family businesses are one of the major forms of small business.
- The major challenges facing the family business are role conflict, time management, and succession.
- All three challenges can be met through careful planning.
- Married couples and nonfamily partnerships face many of the same problems and solutions.

LO4 Recognize the special nature of entrepreneurial teams.

- The majority of businesses are started by teams.
- Spouses or life partners are the most common form of team.
- Couple teams can benefit from trust and financial flexibility.
- Typical problems include lack of agreement, separating work and family issues, and handling endings.
- Similar problems also crop up in non-spouse teams.

LO5 Identify the challenges women and minority business owners face.

- Women-owned and minority-owned businesses are growing at rates faster than other types of businesses.
- The major challenge facing these businesses is gaining access to opportunity.
- Access is achieved through networking and set-asides.

LO6 Describe the situation of people who become business owners later in life.

- Late career entrepreneurship happens when a person is laid off, downsized, or given early retirement.
- The challenges facing late career entrepreneurs come from having to do everything themselves, loss of confidence, and using too much of their personal money too soon in the business.
- Having to do everything can be handled by identifying the tasks to be done ahead of time. Loss of confidence can be dealt with through taking time to heal and by networking with enthusiastic entrepreneurs. Late career entrepreneurs should use their own money only when it makes sense for the business, usually proven through a business plan.

KEY TERMS

cognition, 30
action, 30
passion, 30
perseverance, 30
promotion focus, 31
prevention focus, 31
comprehensive planners, 31
critical-point planners, 31
opportunistic planners, 31
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opportunity competencies, 36
family business, 37
role conflict, 37
time management, 38
succession, 39
set-asides, 43
certification, 44
late career entrepreneurs, 44

DISCUSSION QUESTIONS

1. What are the different aspects of the entrepreneurial personality?
2. What would be the likely impact on a start-up if the entrepreneur had a strong promotion focus and a weak prevention focus?
3. Could someone with good industry-specific knowledge but low competency in basic business skills be successful as an entrepreneur in that industry? Why or why not?
4. When does it make sense to create a business using a minimalized approach to professionalization? Why is that so?
5. What are the strengths and weaknesses of a team?
6. What is the major challenge facing women- and minority-owned firms? How can this be solved?
7. What makes the situation of late career entrepreneurs problematic? What can they do to smooth their way?

EXPERIENTIAL EXERCISES

1. Which of the aspects of the entrepreneurial personality describes you the best? Be ready to explain why.
2. Which entrepreneurial competencies do you possess? Be ready to provide examples and explain why you made these choices. You can use the result of Skill Module 2.2 to aid you in this.
3. Pick small businesses with which others in the class are familiar and analyze what level of professionalization they display. Be ready to explain the basis for your classification.
4. Select a local family business owner or female or minority entrepreneur whom you admire, and research the person's business and professional background. Interview this person if possible. What particular challenges were faced? What competencies were used to overcome them?

MINI-CASE

GEORGE WASHINGTON, DISTILLER AND SEVENTH-CAREER ENTREPRENEUR[83]

When he stepped off the podium in front of Federal Hall in New York City on March 4, 1797, George Washington was probably thinking not about the presidency he just handed over to John Adams, but about his audacious plan to start a new career to rescue his Virginia farm, Mount Vernon, from bankruptcy. For Washington, farmer, surveyor, soldier, commander, legislator, and president, this new role might be called his seventh career, but it was necessary.

Washington had owned a plantation for much of his adult life, and he tried to get back to it between stints as the nation's top general and as president. By the time he could retire to Mount Vernon, he discovered the business was in trouble. The number of people for whom he was responsible had grown from 10 when he inherited the farm to 300 as he left the presidency. Unfortunately his land-holding size and productivity had not kept pace. He was facing bankruptcy.

Knowing this even as he was preparing to end his term, Washington picked up on the idea of a distillery when James Anderson, a Scottish immigrant to Virginia, pitched the idea. Washington had shown himself supportive of inventions, having developed new ways of training mules and preparing wheat for market. He had even received America's third patent.

Anderson's idea made financial sense. Taxes on imported rum were high, and this was putting a crimp in the average American's drinking habits. Back in 1797, the average American was annually drinking 5 gallons of distilled spirits like rum and whiskey (today the average is 1.8 gallons). So there was a ready market.

So, working with Anderson, Washington started with two small stills in 1797 making a 110-proof rye whiskey. Production grew in 1799 to 11,000 gallons sold in two versions (50 cents/gallon for regular and $1/gallon for premium whiskey) and to $7,500 profit made, making Washington America's leading distiller. While Anderson could handle the role of running the distillery itself, the business side was in Washington's hands. Unfortunately, he failed to train a successor. Then Washington died in 1799. The distillery passed into several hands but began a seemingly unstoppable decline and was closed for good in 1814.

CASE DISCUSSION QUESTIONS

1. What advantages would George Washington bring to James Anderson's idea for a Virginia distillery?
2. Washington's farm was operating even as he got the distillery off the ground. What kind of problems could that raise for the ex-president?
3. At his death, Washington's distillery was the largest in the United States. Did this make Washington a high-growth entrepreneur or a small business owner? Why?

SUGGESTED CASES AND ARTICLES

- Real Estate Millionaires of Memphis

Available on McGraw-Hill Create™

- Bob's Home Repair
- Jilbert's Dairy
- Cecil Tire or That Dog Won't Hunt

Are we putting video case page numbers in the listing?

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Video Case:

- Small Business Volunteering, p. VC-X

SBTV.com Videos:

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- Minority Entrepreneurs Break through Barriers

STVP Video:

- Learning to Take Risks: A Personal Story