
Entrepreneurship management

Lecture 10

Motivations

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

1. Lifestyle Venture

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

2. Smaller Profit Venture

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

3. High Growth Ventures

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

Start or Buy?

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

The Market???

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

What about the cost?

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

Domestic or Global?

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

Entrepreneurship: Growth Pressures

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

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

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

Entrepreneurship: Growth Pressures

Entrepreneurial and Formal Organizations differ in six business dimensions:

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

Entrepreneurship: Growth Pressures

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

Entrepreneurship: Growth Pressures

Going Global....

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

THINK: Money and Business Exposure

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

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

Entrepreneurship: Managing a Family Business

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

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

Entrepreneurship: Managing a Family Business

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

Families fight

Friends fight.

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

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

Entrepreneurship: Managing a Family Business

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

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

Clarity is key.... but NO GUARANTEE.

Entrepreneurship: Managing a Family Business

Operational vs. Survival Issues....

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

THINK: Day-to-day grind.

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

THINK: Festering problems; ultimately compromise livelihood.

Entrepreneurship: Managing a Family Business

FAMILY FEUD:

| | | | |
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| Severed relationships | Divorce | Poor business performance | Low morale, motivation |
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