

# Entrepreneurial Background

## Demographic Characteristics of Entrepreneurs

- Parents owned business (Over 50%)
- Foreign parents (Over 10%)
- High school degree or less (Over 25%)
- College or more (Over 70%)
- Age 30 and under (Over 30%)
- Age 41 or more (Over 20%)

## Personality Characteristics Required by Successful Entrepreneurs

- Achievement Orientation
  - Values achievement, competition, aggressiveness and hard work
- Risk Taking
  - Entrepreneurs are risk takers
  - They do not fear failure but use it as a source of motivation
- Independence, Self Confidence, Self Assurance
  - Entrepreneurs tend to resent authority
- Innovativeness
  - Successful Entrepreneurs tend to be creative & willing to try new ideas
- Strong Verbal and Numerical Skills
  - Able to communicate their thoughts well
  - Numerical skills aid in solving problems that arise in operating a small business
- Selling Skills
  - Have above average marketing and selling skills in order to
  - Promote the business to customers
  - Obtaining debt or equity capital
  - Securing suppliers
  - Maintaining employee loyalty
- Problem Solving Abilities
  - Must be able to identify problems quickly & respond with effective solutions
- Strategic Planning
  - They excel at setting business objectives & developing different ways of achieving them
  - They adapt to change easily & know their industries & products thoroughly
- Perseverance
  - They do not quit amid adversity
  - A successful entrepreneur averages about 3.8 failures before the final success
  - A capabilities checklist allows for quantitative evaluation of your own capabilities

## Small Business Successes

- Alertness to Change (Internal Characteristics)
  - Small businesses that are flexible and plan ahead
- Ability to Attract and Hold Competent Employees (Internal Characteristics)
  - Retain good employees by using creative personal management techniques
- Staying Close to the Consumer (Internal Characteristics)
  - Have good knowledge of the customers wants and needs and be able to incorporate them within the operations of the company
  - Spend the money on consumer research
- Thoroughness with Operating Details (Internal Characteristics)

- Have a very detailed and highly controlled operating plan
- Goals, reports and evaluations and adjustments are made constantly
- Ability to Obtain Needed Capital (Internal Characteristics)
  - Be aware of available financing
  - Be able to make an acceptable presentation of their requirements
- Effective Handling of Laws, Rules, and Regulations (Internal Characteristics)
  - Ignorance of certain regulations can lead to
    - Direct financial penalties
    - Miss opportunities
    - Tarnish reputation
- Environments Conducive to Small Business Success (External Characteristics) – In starting a small business you should investigate to see if the following environments exists or might exist
  - Personal Attention to Daily Operation
    - Service industry the owner-manager is a major factor in generating revenue
  - Owner Contact with Employees
    - Motivattion of staff correlates with the quality of work done
  - Small or Local Demand making large businesses reluctant to pursue
  - Industries that Require Flexibility
    - high growth rates, erratic demands, perishable products
  - More Labor and Less Capital Intensive
    - Easier to manage people in a small size
  - Considerable Government Encouragement
    - In the form of financial, tax and counseling assistance
- Internal reasons for business failures
  - Budgeting
  - Receivable & Payables Management
  - Inventory Management
  - Fixed Asset Administration
  - High debt load
  - Marketing
- External reasons for business failures
  - Economic Downturn
  - Competition
  - Customer Difficulties
  - Change in Market Condition
  - Government Regulations
  - Unforeseen circumstances
  - Supplier Difficulties
  - Technological Change
  - Employee Fraud
  - Labour Legislature

### **Breaking Into The Market (3 Ways)**

- offer a totally new product
  - Inventing a product that meets a need not currently being fulfilled
  - Fad or novelty types of products fit into this category
- offer an existing product to a different market
  - Acquire products sold abroad and offer them domestically
  - Sell existing domestic products to different age or income groups or use the product for a different purpose
- offer a product or service similar to those existing in the same market
  - Obtain some competitive advantage over the existing products
  - Perhaps the market is large enough to enter
  - Satisfaction of the existing products is low