

BUS 451
Seminar in Business Administration
Instructor: Donald M. Huntington, Executive in Residence

451.D Entrepreneurs and Intrapreneurs



Students will learn the importance of Entrepreneurship and Small Business to the U.S. economy and will explore the personal characteristics of successful entrepreneurs and intrapreneurs (executives at companies whose jobs require developing new opportunities or breathing new life into existing operations) and will identify those characteristics in themselves and classmates. An additional component will explore family-owned business issues. Finally, the course will introduce students to valuable resources for startups and small businesses.



BUS 451
Seminar in Business Administration
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451.D Entrepreneurs and Intrapreneurs

Learning Objectives

- A. Entrepreneurship and Intrapreneurship defined
- B. Importance of Entrepreneurship and Small Business to U.S. economy
- C. Characteristics of Entrepreneurs
- D. Is Entrepreneurship right for you? Self test
- E. Dynamics of Family Owned Business
- F. Resources for Startups

Readings

Entrepreneurship

Russell Sobel, Library of Economics and Liberty

Top Ten Reasons To Love U.S. Small Business - Importance to U.S. Economy

U.S. Small Business Administration

Entrepreneurs, Inventors and the Growth of the Economy

William J. Baumol

25 Common Characteristics of Successful Entrepreneurs

Entrepreneur.com

Successful Entrepreneurs

Judith L. Glick-Smith

Key Characteristics of Successful Entrepreneurs

Kanga Siva

Ten Characteristics of Successful Entrepreneurs

Entrepreneurs & Leaders

Murray Johannsen

Self Test - Characteristics of Successful Entrepreneurs

McGraw-Hill Management Tutor Series

Top 10 Issues for Family Business

Best Resources for Startups

Entrepreneur.com

Online Resources

Self Test - Characteristics of Successful Entrepreneurs

http://www.mhhe.com/business/management/nickels_assess/Characteristics%20of%20Successful%20Entrepreneurs/exercise.html

Small Business Administration

<http://www.sba.gov/>

Small Business Planner

<http://www.sba.gov/smallbusinessplanner/index.html>

Is Entrepreneurship For you?

http://www.sba.gov/smallbusinessplanner/plan/getready/SERV_SBPLANNER_ISENTFORU.html

Do You Have What It Takes?

http://www.sba.gov/smallbusinessplanner/plan/getready/serv_sbplanner_plan_whatittake.html

Entrepreneur.com

<http://www.entrepreneur.com/>

Entrepreneurship.com

<http://www.entrepreneurship.org/>

Family Business Magazine

<http://www.familybusinessmagazine.com/>

UMass Amherst Family Business Center

<http://www.umass.edu/fambiz/>

Articles

<http://www.umass.edu/fambiz/articles/index.html>

Entrepreneurship

by Russell S. Sobel

About the Author

An entrepreneur is someone who organizes, manages, and assumes the risks of a business or enterprise. An entrepreneur is an agent of change. Entrepreneurship is the process of discovering new ways of combining resources. When the market value generated by this new combination of resources is greater than the market value these resources can generate elsewhere individually or in some other combination, the entrepreneur makes a profit. An entrepreneur who takes the resources necessary to produce a pair of jeans that can be sold for thirty dollars and instead turns them into a denim backpack that sells for fifty dollars will earn a profit by increasing the value those resources create. This comparison is possible because in competitive resource markets, an entrepreneur's costs of production are determined by the prices required to bid the necessary resources away from alternative uses. Those prices will be equal to the value that the resources could create in their next-best alternate uses. Because the price of purchasing resources measures this **opportunity cost**—the value of the forgone alternatives—the profit entrepreneurs make reflects the amount by which they have increased the value generated by the resources under their control.

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Entrepreneurs who make a loss, however, have reduced the value created by the resources under their control; that is, those resources could have produced more value elsewhere. Losses mean that an entrepreneur has essentially turned a fifty-dollar denim backpack into a thirty-dollar pair of jeans. This error in judgment is part of the entrepreneurial learning, or discovery, process vital to the efficient operation of markets. The profit-and-loss system of **capitalism** helps to quickly sort through the many new resource combinations entrepreneurs discover. A vibrant, growing economy depends on the **efficiency** of the process by which new ideas are quickly discovered, acted on, and labeled as successes or failures. Just as important as identifying successes is making sure that failures are quickly extinguished, freeing poorly used resources to go elsewhere. This is the positive side of business failure.

Successful entrepreneurs expand the size of the economic pie for everyone. Bill Gates, who as an undergraduate at Harvard developed BASIC for the first microcomputer, went on to help found Microsoft in 1975. During the 1980s, IBM contracted with Gates to provide the operating system for its computers, a system now known as MS-DOS. Gates procured the software from another firm, essentially turning the thirty-dollar pair of jeans into a multibillion-dollar product. Microsoft's Office and Windows operating software now run on about 90 percent of the world's computers. By making software that increases human **productivity**, Gates expanded our ability to generate output (and income), resulting in a higher standard of living for all.

Sam Walton, the founder of Wal-Mart, was another entrepreneur who touched millions of lives in a positive way. His innovations in distribution warehouse centers and inventory control allowed Wal-Mart to grow, in less than thirty years, from a single store in Arkansas to the nation's largest retail chain.

Mill on the "entrepreneur," a footnote to par. II.15.4 of *Principles of Political Economy*.

Bhide on Outsourcing, Uncertainty, and the Venturesome Economy. EconTalk podcast, February 2009. Entrepreneurs' role in the modern economy.

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Shoppers benefit from the low prices and convenient locations that Walton's Wal-Marts provide. Along with other entrepreneurs such as Ted Turner (CNN), Henry Ford (Ford automobiles), Ray Kroc (McDonald's franchising), and Fred Smith (FedEx), Walton significantly improved the everyday life of billions of people all over the world.

The word "entrepreneur" originates from a thirteenth-century French verb, *entreprendre*, meaning "to do something" or "to undertake." By the sixteenth century, the noun form, *entrepreneur*, was being used to refer to someone who undertakes a business venture. The first academic use of the word by an economist was likely in 1730 by Richard Cantillon, who identified the willingness to bear the personal financial risk of a business venture as the defining characteristic of an entrepreneur. In the early 1800s, economists **Jean-Baptiste Say** and **John Stuart Mill** further popularized the academic usage of the word "entrepreneur." Say stressed the role of the entrepreneur in creating value by moving resources out of less productive areas and into more productive ones. Mill used the term "entrepreneur" in his popular 1848 book, *Principles of Political Economy*, to refer to a person who assumes both the risk and the management of a business. In this manner, Mill provided a clearer distinction than Cantillon between an entrepreneur and other business owners (such as shareholders of a corporation) who assume financial risk but do not actively participate in the day-to-day operations or management of the firm.

Two notable twentieth-century economists, **Joseph Schumpeter** and Israel Kirzner, further refined the academic understanding of entrepreneurship. Schumpeter stressed the role of the entrepreneur as an innovator who implements change in an economy by introducing new goods or new methods of production. In the Schumpeterian view, the entrepreneur is a disruptive force in an economy.

Schumpeter emphasized the beneficial process of **creative destruction**, in which the introduction of new products results in the obsolescence or failure of others. The introduction of the compact disc and the corresponding disappearance of the vinyl record is just one of many examples of creative destruction: cars, electricity, aircraft, and personal computers are others. In contrast to Schumpeter's view, Kirzner focused on entrepreneurship as a process of discovery. Kirzner's entrepreneur is a person who discovers previously unnoticed profit opportunities. The entrepreneur's discovery initiates a process in which these newly discovered profit opportunities are then acted on in the marketplace until market **competition** eliminates the profit opportunity. Unlike Schumpeter's disruptive force, Kirzner's entrepreneur is an equilibrating force. An example of such an entrepreneur would be someone in a college town who discovers that a recent increase in college enrollment has created a profit opportunity in renovating houses and turning them into rental apartments. Economists in the modern **austrian school of economics** have further refined and developed the ideas of Schumpeter and Kirzner.

During the 1980s and 1990s, state and local governments across the United States abandoned their previous focus on attracting large manufacturing firms as the centerpiece of economic development policy and instead shifted their focus to promoting entrepreneurship. This same period witnessed a dramatic increase in empirical research on entrepreneurship. Some of these studies explore the effect of demographic and socioeconomic factors on the likelihood of a person choosing to become an entrepreneur. Others explore the impact of taxes on entrepreneurial activity. This literature is still hampered by the lack of a clear measure of entrepreneurial activity at the U.S. state level. Scholars generally measure entrepreneurship by using numbers of self-employed people; the deficiency in such a measure is that some people become self-employed partly to avoid, or even evade, income and payroll taxes. Some studies find, for example, that higher income tax rates are associated with higher

rates of self-employment. This counterintuitive result is likely explained by the higher tax rates encouraging more tax evasion through individuals filing taxes as self-employed. Economists have also found that higher taxes on inheritance are associated with a lower likelihood of individuals becoming entrepreneurs.

Some empirical studies have attempted to determine the contribution of entrepreneurial activity to overall **economic growth**. The majority of the widely cited studies use international data, taking advantage of the index of entrepreneurial activity for each country published annually in the *Global Entrepreneurship Monitor*. These studies conclude that between one-third and one-half of the differences in economic growth rates across countries can be explained by differing rates of entrepreneurial activity. Similar strong results have been found at the state and local levels.

Infusions of venture capital funding, economists find, do not necessarily foster entrepreneurship. Capital is more mobile than labor, and funding naturally flows to those areas where creative and potentially profitable ideas are being generated. This means that promoting individual entrepreneurs is more important for economic development policy than is attracting venture capital at the initial stages. While funding can increase the odds of new business survival, it does not create new ideas. Funding follows ideas, not vice versa.

One of the largest remaining disagreements in the applied academic literature concerns what constitutes entrepreneurship. Should a small-town housewife who opens her own day-care business be counted the same as someone like Bill Gates or Sam Walton? If not, how are these different activities classified, and where do we draw the line? This uncertainty has led to the terms "lifestyle" entrepreneur and "gazelle" (or "high growth") entrepreneur. Lifestyle entrepreneurs open their own businesses primarily for the nonmonetary benefits associated with being their own bosses and setting their own

schedules. Gazelle entrepreneurs often move from one start-up business to another, with a well-defined growth plan and exit strategy. While this distinction seems conceptually obvious, empirically separating these two groups is difficult when we cannot observe individual motives. This becomes an even greater problem as researchers try to answer questions such as whether the policies that promote urban entrepreneurship can also work in rural areas. Researchers on rural entrepreneurship have recently shown that the **Internet** can make it easier for rural entrepreneurs to reach a larger market. Because, as **Adam Smith** pointed out, specialization is limited by the extent of the market, rural entrepreneurs can specialize more successfully when they can sell to a large number of online customers.

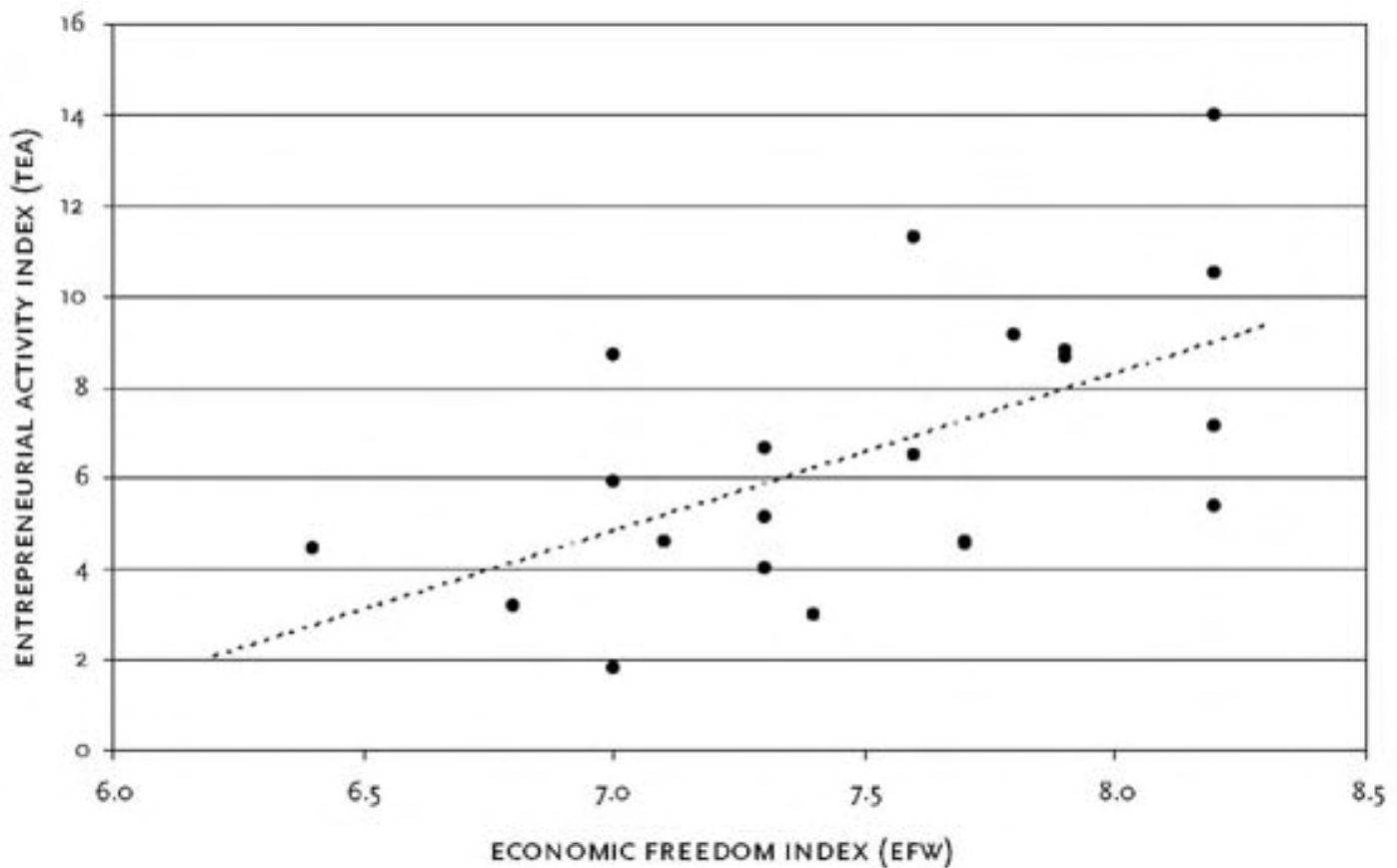
What is government's role in promoting or stifling entrepreneurship? Because the early research on entrepreneurship was done mainly by noneconomists (mostly actual entrepreneurs and management faculty at business schools), the prevailing belief was that new government programs were the best way to promote entrepreneurship. Among the most popular proposals were government-managed loan funds, government subsidies, government-funded business development centers, and entrepreneurial curriculum in public schools. These programs, however, have generally failed. Government-funded and -managed loan funds, such as are found in Maine, Minnesota, and Iowa, have suffered from the same poor incentives and political pressures that plague so many other government agencies.

My own recent research, along with that of other economists, has found that the public policy that best fosters entrepreneurship is **economic freedom**. Our research focuses on the **public choice** reasons why these government programs are likely to fail, and on how improved "rules of the game" (lower and less complex taxes and regulations, more secure **property rights**, an unbiased judicial system, etc.) promote entrepreneurial activity. Steven Kreft and Russell Sobel (2003) showed entrepreneurial activity

to be highly correlated with the "Economic Freedom Index," a measure of the existence of such promarket institutions. This relationship between freedom and entrepreneurship also holds using more widely accepted indexes of entrepreneurial activity (from the *Global Entrepreneurship Monitor*) and economic freedom (from Gwartney and Lawson's *Economic Freedom of the World*) that are available selectively at the international level. This relationship holds whether the countries studied are economies moving out of **socialism** or economies of OECD countries. **Figure 1** shows the strength of this relationship among OECD countries.

The dashed line in the figure shows the positive relationship between economic freedom and entrepreneurial activity. When other demographic and socioeconomic factors are controlled for, the relationship is even stronger. This finding is consistent with the strong positive correlation between economic freedom and the growth of per capita income that other researchers have found. One reason economic freedom produces economic growth is that economic freedom fosters entrepreneurial activity.

Figure 1 Economic Freedom and Entrepreneurship in OECD Countries, 2002



ZOOM

Economists William Baumol and Peter Boettke popularized the idea that capitalism is significantly more productive than alternative forms of economic organization because, under capitalism, entrepreneurial effort is channeled into activities that produce wealth rather than into activities that forcibly take other people's wealth. Entrepreneurs, note Baumol and Boettke, are present in all societies. In government-controlled societies, entrepreneurial people go into government or lobby government, and much of the government action that results—tariffs, subsidies, and regulations, for example—destroys wealth. In economies with limited governments and rule of law, entrepreneurs produce wealth. Baumol's and Boettke's idea is consistent with the data and research linking economic freedom, which is a measure of the presence of good institutions, to both entrepreneurship and economic growth. The recent academic research on entrepreneurship shows that, to promote entrepreneurship, government policy should focus on reforming basic institutions to create an environment in which creative individuals can flourish. That environment is one of well-defined and enforced property rights, low taxes and regulations, sound legal

and monetary systems, proper contract enforcement, and limited government intervention.

About the Author

Russell S. Sobel is a professor of economics and James Clark Coffman Distinguished Chair in Entrepreneurial Studies at West Virginia University, and he was founding director of the Entrepreneurship Center there.

Further Reading

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Top Ten Reasons to Love U.S. Small Business

List highlights importance of small business to U.S. economy

By [Robert Longley](#), About.com

The Small Business Administration (SBA) has announced the top 10 reasons to love small business, what the SBA's Office of Advocacy calls "the heart of the American economy."

10. Small businesses make up more than 99.7% of all employers.
9. Small businesses create more than 50 percent of the nonfarm private gross domestic product (GDP).
8. Small patenting firms produce 13 to 14 times more patents per employee than large patenting firms.
7. The 22.9 million small businesses in the United States are located in virtually every neighborhood.
6. Small businesses employ about 50 percent of all private sector workers.
5. Home-based businesses account for 53 percent of all small businesses.
4. Small businesses make up 97 percent of exporters and produce 29 percent of all export value.
3. Small businesses with employees start-up at a rate of over 500,000 per year.
2. Four years after start-up, half of all small businesses with employees remain open.
1. The latest figures show that small businesses create 75 percent of the net new jobs in our economy.

The [SBA's Office of Advocacy](#)¹, the "small business watchdog" of the government, examines the role and status of small business in the economy and independently represents the views of small business to federal agencies, Congress, and the President. It is the source for small business statistics presented in user-friendly formats and it funds research into small business issues.

Source: U.S. Small Business Administration]

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<http://usgovinfo.about.com/cs/businessfinance/a/sbatopten.htm>

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1. <http://www.sba.gov/advo>

Economics Program Working Paper Series

Entrepreneurs, Inventors and the Growth of the Economy

William J. Baumol

New York University
Princeton University
January 2008

Part of the Supplemental Materials for
INNOVATION AND U.S. COMPETITIVENESS
The Conference Board report #R-1441-09-RR

About the Report: The Conference Board has recently undertaken a project on innovation and competitiveness, with funding from Microsoft Corporation. The goal of the project is to provide an overview of the current state of knowledge on the nature of innovation, and its role in stimulating economic growth and improved living standards in the U.S. The project draws on experts across the academic, corporate, and policy arenas, in addition to The Conference Board's own analysis, surveys, and focus groups of the business community. Such experts met in February 2007 to present and discuss various aspects of the innovation process and measurement thereof. Each presenter wrote a summary piece focusing on his respective area of expertise. These summary documents underpin the content in *Innovation and U.S. Competitiveness*; however the conclusions drawn are those of The Conference Board alone. These papers are retained for reference in The Conference Board Economics Program Working Paper Series.

EPWP #08 - 12



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Entrepreneurs, Inventors and the Growth of the Economy

William J. Baumol¹

To borrow from Mark Twain, all economics textbooks talk about the importance of entrepreneurship, but none of them says what we should do about it. Yet, there are good reasons to conclude that entrepreneurship makes two critical contributions to economic well-being: First, entrepreneurship stimulates growth by putting innovation to work and, second, it provides an avenue for the reduction of poverty. In this article, I discuss the processes that underlie these conclusions, but I also offer a crucial caveat that will at the same time demonstrate that there is no guarantee that entrepreneurial activity will always produce these beneficial results. However, the *caveat* will offer a handle for the design of appropriate policy.

Preliminary: A Bit of Classification

To facilitate the discussion of the issues just listed, it is necessary to recognize that entrepreneurs come in different forms, working in different ways and, therefore, their activities have different consequences for the economy. It is therefore helpful to begin with two simple classificatory subdivisions that enable us to focus on these matters more easily. The first and most obvious subdivision is between what I label “replicative” entrepreneurs and “innovative” entrepreneurs. Generally, entrepreneurs have been defined as individuals who create a new firm or some other economic organization or

¹ Paper prepared for the Conference Board’s Workshop Perspectives on U.S. Innovation and Competitiveness, February 8 and 9, 2007. Contact Author: William Baumol, Harold Price Professor of Entrepreneurship and Academic Director, Berkley Center for Entrepreneurial Studies, Stern School of Business, New York University; and Joseph Douglas Green, 1895, Professor of Economics Emeritus and Senior Economist, Princeton University.

who launch some economic activity that they will carry out at least initially. A replicative entrepreneur is someone who organizes an enterprise of a variety that has been launched many times before, and of which many other examples are currently extant—e.g., a new retail shoe shop or another limousine service. Replicative entrepreneurship has proven its effectiveness as a way out of poverty, as dramatically illustrated by the immigrant peddlers who often ended up sending their children to college.

The innovative entrepreneur, as the name implies, does something that has not been done before. She may market a new product, or may sell licenses to other firms to make use of intellectual property in her possession, the specifications of new products, or new production processes. But she may innovate in other ways as well, for example, recognizing new uses for an old product or a new market for that item, or a novel and more efficient way to organize the firm. Indeed, I will note presently that the options available to the innovative entrepreneur are much broader than that. This is important because it is the innovative entrepreneurs who are the key to economic growth, since it is they, rather than the replicative entrepreneurs, who ensure that invention is put to effective use. Without innovative entrepreneurs, the innovations that promise rapid economic growth have been left to languish. But such an outcome can be prevented only if the prevailing economic forces provide the incentives for the innovative entrepreneurs to carry out the necessary activities.

The second way in which we will find it useful to classify entrepreneurs focuses on the fact that, contrary to what might at first appear to be true, not all entrepreneurial activities are inherently beneficial to society. The fact is that entrepreneurs, like lawyers or professors, are not archangels and can differ markedly in the ethics of their behavior.

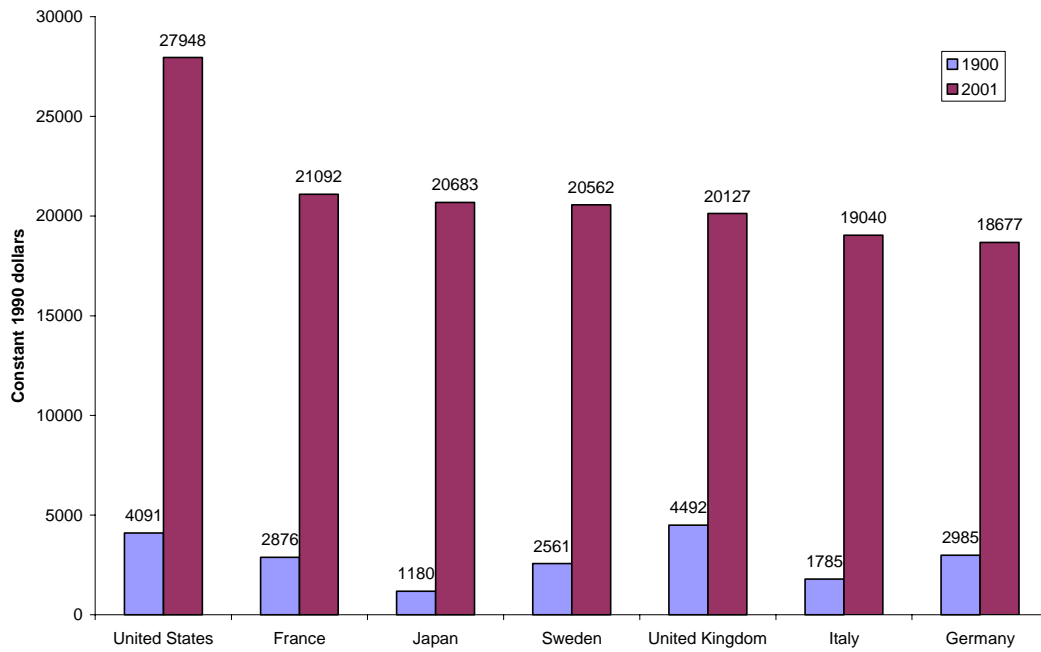
The organizer of a narcotics ring can be as enterprising and business-oriented as the creator of a firm that markets a very valuable piece of software. The entrepreneurs in a society in which corruption is virtually the only way to wealth can and do find very enterprising ways to achieve positions in which they can acquire a share of the benefits. In our society, despite the jokes at their expense, lawyers contribute materially to efficient functioning of the economy. But there are other attorneys who are enterprising in finding ways, for example, to misdirect the antitrust laws in order to shield their clients from effective competition. I will show here that the ethical posture and the degree of benefit of entrepreneurs' activities to the society are very heavily influenced by current social institutions and legal structure, suggesting immediately that this is a matter that merits the attention of those in government who design economic policy.

The Astonishing Accomplishment and the Entrepreneur's Contribution

Although most of us are well aware of the fact that there has been significant economic progress since the inception of the eighteenth-century Industrial Revolution in the United Kingdom, few if any of us have grasped its magnitude. Figure 1 reports Angus Maddison's very conservative estimate of what has been accomplished in only one century (Maddison, 2003). It is conservative because other estimates of the magnitude of growth are higher, some substantially so. Table 1 provides numerical indications of the magnitudes entailed. To take only one example, it concludes that over the course of the twentieth century, per-capita income in the U.S. rose nearly sevenfold. In contrast, in the approximately thirteen centuries between the fall of Rome and the Industrial Revolution, the rise in real per-capita income was probably close to *zero*. To grasp what is entailed in

a seven-fold expansion of real income, readers should imagine that they currently receive the income of an average American and that, suddenly, six out of seven dollars are magically removed from their wallets, their bank accounts and all of their other assets. How would their life styles adapt? One must surely admit that it is difficult to imagine.

Figure 1
Real Per-Capita GDP, 1900 vs. 2001, Seven Successful Economies



Source: Maddison, 2003.

Table 1
Rise in Real Per-Capita GDP, 1900-2001

	<u>% Rise</u>	<u>Multiple</u>
United States	583%	6.83
France	633	7.33
Japan	1,653	17.53
Sweden	703	8.03
United Kingdom	348	4.48
Italy	967	10.67
Germany	526	6.26

Source: Maddison, 2003.

The Crucial Role of the Entrepreneur in the Unprecedented GDP Explosion

We can infer from all this that the magnitude of the rise in GDP in the past two centuries been unprecedented in human history, and unimaginable by our ancestors. But what is the relation of all this to the entrepreneur? That is, what is his role in all of this growth? The answer derives from the fact that what evidently underlay the Industrial Revolution is what one historian called the “wave of gadgets,” the steam engine, the railroad and all the other inventions that came forth *and were put to productive use*, beginning at the end of the eighteenth century. As already suggested, entrepreneurs are often not inventors, but it is they who see to it that a promising invention is not neglected and forgotten, as happened in so many cases in the age of great invention in China, or more recently in the Soviet Union, where its superbly educated scientists and engineers

contributed a surprising abundance of innovative technology, most of which was never put to use if it had no evident military purpose.

The mostly forgotten story of the steam engine brings the point out dramatically. Contrary to what is widely believed, the steam engine was not invented by James Watt—what he contributed was a critical improvement. But the steam engine had even been invented well before Newcomen, whose engines were to be found throughout England when Watt began his work. The first engine of which we are aware was contributed by Heron of Alexandria, probably in the first century CE. The relevant point was made by Abraham Lincoln, not long before he became president:

“...as much as two thousand years ago the power of steam was not only observed, but an ingenious toy was actually made and put in motion by it, at Alexandria...” What appears strange is, that neither the inventor of the toy, nor anyone else, for so long a time afterwards, should perceive that steam would move *useful* machinery as well as a toy” (Lincoln, 1858).

The problem was that, during the ascendancy of Rome, wealth-seeking enterprise was respectable, but only if it contributed nothing to production (other than in agriculture). Aggressive warfare, ransom, bribery, usury and other such activities were deemed commendable, but productive enterprise was left to freedmen (manumitted slaves) and their sons. So the water wheel was considered a gadget that merited only passing notice as a minor piece of technology and was, so far as we know, used only to

mill grain and not, as in the later Middle Ages, to saw lumber, hammer metal, prepare cloth and so on and on.

In the case of the steam engine, Watt had an energetic and creative entrepreneur partner, Matthew Boulton. It was he, not Watt, who recognized the use of the steam engine to run things such as cloth-making machines and transport engines. But so far as we know, Heron had no productive entrepreneur partners, so his invention remained a toy, forgotten like the fabulous Chinese inventions of the Tang and Sung dynasties.

Clearly, the role of the entrepreneur is critical for effective innovation and growth. Today, a primary task of the innovative entrepreneurs is alertness for opportunities to introduce new products or processes, new uses for extant products, new methods for putting them to use, new markets that will be receptive to them, and so forth. Sometimes the inventor and the entrepreneur are the same person. In other cases, they are partners, or the entrepreneur may purchase the intellectual property from its creator. The variety of the arrangements in which the entrepreneur engages is enormous. But there is one universal attribute of her role. She is, in effect, the middleman between the inventor and the ultimate user of her invention.

And, indeed, the small entrepreneurial firms of the United States have been the source of an astonishing proportion of the radical inventive breakthroughs of the past two centuries. Table 2 provides a representative list, which indicates that, although large enterprises—with their huge R&D establishments—have provided the bulk of the expenditure and the bulk of the improvements up to the stage of user-friendliness of the new items, it was often the independent inventor and her entrepreneur partner who contributed the breakthrough ideas.

Table 2. Some Important Innovations by U.S. Small Firms in the Twentieth Century

Air Conditioning	Heart Valve	Portable Computer
Air Passenger Service	Heat Sensor	Prestressed Concrete
Airplane	Helicopter	Prefabricated Housing
Articulated Tractor Chassis	High Resolution CAT Scanner	Pressure Sensitive
Cellophane Artificial Skin	High Resolution Digital X-Ray	Tape
Assembly Line	High Resolution X-Ray	Programmable Computer
Audio Tape Recorder	Microscope	Quick-Frozen Food
Bakelite	Human Growth Hormone	Reading Machine
Biomagnetic Imaging	Hydraulic Brake	Rotary Oil Drilling Bit
Biosynthetic Insulin	Integrated Circuit	Safety Razor
Catalytic Petroleum Cracking	Kidney Stone Laser	Six-Axis Robot Arm
Computerized Blood Pressure	Large Computer	Soft Contact Lens
Controller	Link Trainer	Solid Fuel Rocket Engine
Continuous Casting	Microprocessor	Stereoscopic Map Scanner
Cotton Picker	Nuclear Magnetic Resonance	Strain Gauge
Defibrillator	Scanner	Strobe Lights
DNA Fingerprinting	Optical Scanner	Supercomputer
Double-Knit Fabric	Oral Contraceptives	Two-Armed Mobile Robot
Electronic Spreadsheet	Outboard Engine	Vacuum Tube
Freewing Aircraft	Overnight National Delivery	Variable Output Transformer
FM Radio	Pacemaker	Vascular Lesion Laser
Front-End Loader	Personal Computer	Xerography
Geodesic Dome	Photo Typesetting	X-Ray Telescope
Gyrocompass	Polaroid Camera	Zipper

Source: U.S. Small Business Administration, 1995, p. 114.

The Entrepreneur as Re-Allocable Input

The role of institutions in influencing the supply of entrepreneurs is, of course, not a new observation, and has been emphasized by a number of authors, notably Douglass North (see North and Thomas, 1973, and North, 1990). What may be new is the assertion that institutional changes do not do this primarily by inducing creation of a body of new entrepreneurs where there were few before, but by enticing enterprising individuals away from their previous unproductive activities and leading them to transfer to productive undertakings. In a personal communication, Richard Sylla gives a striking example of this critical conclusion: “Meiji Japan... reformers commuted peasant rice

payments to Samurai into government bonds, giving the Samurai government bonds and taxing the peasants in money to pay interest on the bonds. The Samurai were encouraged to become investors... and bankers... and Japan with a modern financial system suddenly left the rest of Asia in the dust and caught up with the West. The Samurai leaving fighting and becoming bankers must surely be a classic example of an institutional change enticing enterprising individuals away from previous unproductive activities and leading them to transfer to productive undertakings.”

The critical conclusion here is not that entrepreneurial activity can be reallocated by changes in the structure of incentives from one field of activity, from one industry to another. That any observer can recognize. The new insight is that some of those activities, indeed throughout much of history, many of those activities, have been unproductive or even seriously damaging to the general welfare. The prototype is the entrepreneurial leader of a private army and we have just seen a number of other examples, some of them even rather innovative. Of course, in our society and most of the other industrialized countries some of the most blatant forms of unproductive entrepreneurship have been contained or eliminated. But in more impoverished societies, such as many in Africa or Latin America, enterprising corruption continues to be a hallmark of the way of life. It entails activity that is widespread, expected and even respected, and means that the persons with entrepreneurial capabilities are attracted to the associated role and away from the economy's productive opportunities. The result is that production lags, production methods are confined to the traditional and do not take advantage of more powerful and more modern approaches, and the society is mired in poverty. The resulting

network of corruption even nullifies well-intentioned attempts from other societies to provide aid to these impoverished lands.²

In addition, the misallocation of entrepreneurship can and often does result from government action. Often such action is driven by vested interests, as when in the Middle Ages the London fullers petitioned the king to prohibit local cloth makers from using the more efficient water mills that the absence of rushing waters in the big city denied to urban producers. But efforts to use the law to undermine competition are hardly confined to ancient history. For example, British providers of older forms of transportation succeeded in inducing the law to introduce various handicaps that impeded the use of the automobile.³

“...A British law of 1865 required that there be at least three people driving every motorized vehicle, in addition to a walker with a flag who had to precede the ‘locomotive’ by sixty yards to warn those ahead and calm frightened horses; that the speed be limited to four miles per hour in the country and two miles per hour in populated areas...among other constraints” (Landes, 2006, p. 112).

Such public sector interventions are apt to be accompanied by severe handicaps to productive entrepreneurial activity:

“It takes two days to start a business in Australia, but 203 days in Haiti and 215 days in the Democratic Republic of Congo...Employment laws

² There is a hypothesis in the sociological literature that the corruption is ascribable to poverty and is enforced by it, rather than the other way around. The argument is that in such an economy, because the opportunities for viable occupations are so scarce, social pressure forces those in control to give priority to family members and other kin in offering jobs or other opportunities. This leaves no option to other members of the society, who have no relatives in power, to do the only thing they can: They are forced to offer bribes to those in control as the only way to get a chance at the few available opportunities. See Granovetter, forthcoming..

³ For more recent examples in the U.S. courts, see Baumol, 1993, Chapter 4.

in Salvador allow fixed term contracts only for specific jobs and set their duration to be at most one year....” (quoted in Friedman, 2005, p. 320).

But perhaps the most daunting of such counterproductive interventions are those that have resulted from misguided attempts at virtuous action by the authorities. There may be elements of this in the example just given, but India provides some of the most striking illustrations. For example, I am informed that until a few years ago, in India, a substantial number of industries, including the manufacture of automobile parts, were reserved for small firms, strictly limited to small investments. Moreover, in other industries, firms were required to provide estimates of their production the following year, and outputs in excess of these amounts were subject to severe penalty. In the insurance industry there were legal restrictions on the use of computers. These provisions were evidently adopted by idealists seeking to protect jobs, small enterprises and competition. The result was incredible poverty that began to be rolled back (and allowed India to achieve striking growth) only when these regulations were weakened or eliminated and the market received some freedom, changing the structure of the incentives offered to entrepreneurs. Clearly, here is a striking case of poverty preserved by a misguided program that was meant to contribute to its elimination.

Threats to Enterprise in the West

We in the United States must not be smug, however. The West is still vulnerable to the same disease. I have already cited some examples, provided by me elsewhere. These examples entail enterprising efforts by relatively inefficient firms to subvert the courts and the antitrust authorities into granting them protection from the too-effective

competitive activities of more efficient rivals. In the cases I cite, the attempts were fortunately rejected by the courts, but that is a biased sample, because cases in which the attempt succeeded are not easily to identify in the records. One can be confident that they exist in abundance, that the resources misdirected by these activities are hardly negligible, and that the results are likely to be the erection of impediments to innovative entrepreneurial efforts, which are apt to be mischaracterized as efforts undertaken only to destroy rivals. The antitrust laws themselves, of course, were intended to protect the general welfare by safeguarding competition, but the result, all too often, can be the reverse.

Another example of misguided rules and regulations is the case of a large, centrally located office building in London that remained empty and unused for many years after its completion. This bizarre manifestation has been ascribed to British rent control laws adopted to protect tenants from exploitation. Because of the inflexibility of the regulations, the empty skyscraper became another of many examples of landlord reluctance to rent, for fear of being kept to rent levels that inflation could easily transform into confiscatory arrangements. A similar perverse outcome has been held responsible, in part, for high unemployment levels in Europe, where in a number of countries new employees are rapidly granted job tenure so that, if their performance later turns out to be unsatisfactory or their employer experiences some financial difficulties, the employees can be dismissed afterwards only with enormous difficulty. At the same time, this practice discourages prospective entrepreneurs from leaving their tenured jobs and undertaking the risks entailed in creating new enterprises. To this, a number of observers have ascribed the relative sparseness of new firm formation in Europe. I could easily cite

other examples, but the point should already be clear: We inhabitants of the industrialized countries still have open to us an abundance of opportunities to change the “rules of the game” in a way that facilitates and encourages entrepreneurship and thereby strengthens the foundation that underlies growth.

Concluding Comment

Economics is an arena in which common sense is often a useful, and sometimes reliable, guide. But every once in a while common sense can betray us and, despite the decision maker’s best intentions, lead us to do grievous harm to those we are most anxious to help. The poor are most frequently the victims of such misguided intentions, and misdirection of entrepreneurial activity is often the means by which the damage is inflicted. In restricting the introduction or exercise of entrepreneurial activities, we are likely to be driven by an intention to protect the interests of their customers and their employees. But, in the process, we are all too likely to close down or place obstacles in the road out of poverty and to handicap innovation and growth, which are the most promising of all developments for promotion of the general prosperity.

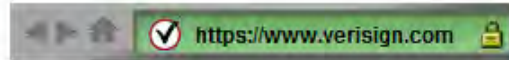
My appeal is not for neglect of the world’s poor and unfortunate, or for failure to extend aid to them when the need for such assistance is urgent. Rather, my goal is the opposite. For their sake, I appeal for the thoughtful determination of steps that really will help them and will do so in an enduring way, rather than doing that which enables us to congratulate ourselves on our personal virtue, but which makes little difference in the long run for those most in need of effective support.

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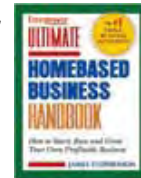
25 Common Characteristics of Successful Entrepreneurs

Do you have what it takes to get through the recession? Here are the traits that get home based business owners through the hard times.

By James Stephenson | March 13, 2009

URL: <http://www.entrepreneur.com/homebasedbiz/article200730.html>

This article has been excerpted from the [Ultimate Home Based Business Handbook](#), by James Stephenson, available from [Entrepreneur Press](#).



Regardless of your definition of success, there are, oddly enough, a great number of common characteristics that are shared by successful businesspeople. You can place a check beside each characteristic that you feel that you possess. This way, you can see how you stack up. Even if you don't have all of these characteristics, don't fret. Most can be learned with practice and by developing a winning attitude, especially if you set goals and apply yourself, through strategic planning, to reach those goals in incremental and measurable stages.

The Home Business Musts

Like any activity you pursue, there are certain musts that are required to be successful in a chosen activity. To legally operate a vehicle on public roadways, one must have a driver's license; to excel in sports, one must train and practice; to retire comfortably, one must become an informed investor and actively invest for retirement. If your goal is success in business, then the formula is no different. There are certain musts that have to be fully developed, implemented and managed for your business to succeed. There are many business musts, but this article contains I believe to be some of the more important musts that are required to start, operate and grow a profitable home business.

1. Do what you enjoy.

What you get out of your business in the form of personal satisfaction, financial gain, stability and enjoyment will be the sum of what you put into your business. So if you don't enjoy what you're doing, in all likelihood it's safe to assume that will be reflected in the success of your business--or subsequent lack of success. In fact, if you don't enjoy what you're doing, chances are you won't succeed.

2. Take what you do seriously.

You cannot expect to be effective and successful in business unless you truly believe in your business and in the goods and services that you sell. Far too many home business owners fail to take their own businesses seriously enough, getting easily sidetracked and not staying motivated and keeping their noses to the grindstone. They also fall prey to naysayers who don't take them seriously because they don't work from an office building, office park, storefront, or factory. Little do these skeptics, who rain on the home business owner's parade, know is that the number of people working from home, and making very good annual incomes, has grown by leaps and bounds in recent years.

3. Plan everything.

Planning every aspect of your home business is not only a must, but also builds habits that every home business owner should develop, implement, and maintain. The act of business planning is so important because it requires you to analyze each business situation, research and compile data, and make conclusions based mainly on the facts as revealed through the research. Business planning also serves a second function, which is having your goals and how you will achieve them, on paper. You can use the plan that you create both as map to take you from point A to Z and as a yardstick to measure the success of each individual plan or segment within the plan.

4. Manage money wisely.

The lifeblood of any business enterprise is cash flow. You need it to buy inventory, pay for services, promote and market your business, repair and replace tools and equipment, and pay yourself so that you can continue to work. Therefore, all home business owners must become wise money managers to ensure that the cash keeps flowing and the bills get paid. There are two aspects to wise money management.

1. The money you receive from clients in exchange for your goods and services you provide (income)
2. The money you spend on inventory, supplies, wages and other items required to keep your business operating. (expenses)

5. Ask for the sale.

A home business entrepreneur must always remember that marketing, advertising, or promotional activities are completely worthless, regardless of how clever, expensive, or perfectly targeted they are, unless one simple thing is accomplished--ask for the sale. This is not to say that being a great salesperson, advertising copywriting whiz or a public relations specialist isn't a tremendous asset to your business. However, all of these skills will be for naught if you do not actively ask people to buy what you are selling.

6. Remember it's all about the customer.

Your home business is not about the products or services that you sell. Your home business is not about the prices that you charge for your goods and services. Your home business is not about your competition and how to beat them. Your business is all about your customers, or clients, period. After all, your customers are the people that will ultimately decide if your business goes boom or bust. Everything you do in business must be customer focused, including your policies, warranties, payment options, operating hours, presentations, advertising and promotional campaigns and website. In addition, you must know who your customers are inside out and upside down.

7. Become a shameless self-promoter (without becoming obnoxious).

One of the greatest myths about personal or business success is that eventually your business, personal abilities, products or services will get discovered and be embraced by the masses that will beat a path to your door to buy what you are selling. But how can this happen if no one knows who you are, what you sell and why they should be buying?

Self-promotion is one of the most beneficial, yet most underutilized, marketing tools that the majority of home business owners have at their immediate disposal.

8. Project a positive business image.

You have but a passing moment to make a positive and memorable impression on people with whom you intend to do business. Home business owners must go out of their way and make a conscious effort to always project the most professional business image possible. The majority of home business owners do not have the advantage of elaborate offices or elegant storefronts and showrooms to wow prospects and impress customers. Instead, they must rely on imagination, creativity and attention to the smallest detail when creating and maintaining a professional image for their home business.

9. Get to know your customers.

One of the biggest features and often the most significant competitive edge the home based entrepreneur has over the larger competitors is the he can offer personalized attention. Call it high-tech backlash if you will, but customers are sick and tired of hearing that their information is somewhere in the computer and must be retrieved, or told to push a dozen digits to finally get to the right department only to end up with voice mail--from which they never receive a return phone call.

The home business owner can actually answer phone calls, get to know customers, provide personal attention and win over repeat business by doing so. It's a researched fact that most business (80 percent) will come from repeat customers rather than new customers. Therefore, along with trying to draw newcomers, the more you can do to woo your regular customers, the better off you will be in the long run and personalized attention is very much appreciated and remembered in the modern high tech world.

10. Level the playing field with technology.

You should avoid getting overly caught up in the high-tech world, but you should also know how to take advantage of using it. One of the most amazing aspects of the internet is that a one or two person business operating from a basement can have a superior website to a \$50 million company, and nobody knows the difference. Make sure you're keeping up with the high-tech world as it suits your needs.. The best technology is that which helps you, not that which impresses your neighbors.

11. Build a top-notch business team.

No one person can build a successful business alone. It's a task that requires a team that is as committed as you to the business and its success. Your business team may include family members, friends, suppliers, business alliances, employees, sub-contractors, industry and business associations, local government and the community. Of course the most important team members will be your customers or clients. Any or all may have a say in how your business will function and a stake in your business future.

12. Become known as an expert.

When you have a problem that needs to be solved, do you seek just anyone's advice or do you seek an expert in the field to help solve your particular problem? Obviously, you want the most accurate information and assistance that you can get. You naturally seek an expert to help solve your problem. You call a plumber when the hot water tank leaks, a real estate agent when it's time to sell your home or a dentist when you have a toothache. Therefore, it only stands to reason that the more you become known for your expertise in your business, the more people will seek you out to tap into your expertise, creating more selling and referral opportunities. In effect, becoming known as an expert is another style of prospecting for new business, just in reverse. Instead of finding new and qualified people to sell to, these people seek you out for your expertise.

13. Create a competitive advantage.

A home business must have a clearly defined unique selling proposition. This is nothing more than a fancy way of asking the vital question, "Why will people choose to do business with you or purchase your product or service instead of doing business with a competitor and buying his product or service?" In other words, what one aspect or combination of aspects is going to separate your business from your competition? Will it be better service, a longer warranty, better selection, longer business hours, more flexible payment options, lowest price, personalized service, better customer service, better return and exchange policies or a combination of several of these?

14. Invest in yourself.

Top entrepreneurs buy and read business and marketing books, magazines, reports, journals, newsletters, websites and industry publications, knowing that these resources will improve their understanding of business and marketing functions and skills. They join business associations and clubs, and they network with other skilled business people to learn their secrets of success and help define their own goals and objectives. Top entrepreneurs attend business and marketing seminars, workshops and training courses, even if they have already mastered the subject matter of the event. They do this because they know that education is an ongoing process. There are usually ways to do things better, in less time, with less effort. In short, top entrepreneurs never stop investing in the most powerful, effective and best business and marketing tool at their immediate disposal--themselves.

15. Be accessible.

We're living in a time when we all expect our fast food lunch at the drive-thru window to be ready in mere minutes, our dry cleaning to be ready for pick-up on the same day, our money to be available at the cash machine and our pizza delivered in 30 minutes or it's free. You see the pattern developing--you must make it as easy as you can for people to do business with you, regardless of the home business you operate.

You must remain cognizant of the fact that few people will work hard, go out of their way, or be inconvenienced just for the privilege of giving you their hard-earned money. The shoe is always on the other foot. Making it easy for people to do business with you means that you must be accessible and knowledgeable about your products and services. You must be able to provide customers with what they want, when they want it.

16. Build a rock-solid reputation.

A good reputation is unquestionably one of the home business owner's most tangible and marketable assets. You can't simply buy a good reputation; it's something that you earn by honoring your promises. If you promise to have the merchandise in the customer's hands by Wednesday, you have no excuse not to have it there. If you offer to repair something, you need to make good on your offer. Consistency in what you offer is the other key factor. If you cannot come through with the same level of service (and products) for clients on a regular basis, they have no reason to trust you . . . and without trust, you won't have a good reputation.

17. Sell benefits.

Pushing product features is for inexperienced or wannabe entrepreneurs. Selling the benefits associated with owning and using the products and services you carry is what sales professionals worldwide focus on to create buying excitement and to sell, sell more, and sell more frequently to their customers. Your advertising, sales presentations, printed marketing materials, product packaging, website, newsletters, trade show exhibit and signage are vital. Every time and every medium used to communicate with your target audience must always be selling the benefits associated with owning your product or using your service.

18. Get involved.

Always go out of your way to get involved in the community that supports your business. You can do this in many ways, such as pitching in to help local charities or the food bank, becoming involved in organizing community events, and getting involved in local politics. You can join associations and clubs that concentrate on programs and policies designed to improve the local community. It's a fact that people like to do business with people they know, like and respect, and with people who do things to help them as members of the community.

19. Grab attention.

Small-business owners cannot waste time, money and energy on promotional activities aimed at building awareness solely through long-term, repeated exposure. If you do, chances are you will go broke long before this goal is accomplished. Instead, every promotional activity you engage in, must put money back in your pocket so that you can continue to grab more attention and grow your business.

20. Master the art of negotiations.

The ability to negotiate effectively is unquestionably a skill that every home business owner must make every effort to master. It's perhaps second in importance only to asking for the sale in terms of home business musts. In business, negotiation skills are used daily. Always remember that mastering the art of negotiation means that your skills are so finely tuned that you can always orchestrate a win-win situation. These win-win arrangements mean that everyone involved feels they have won, which is really the basis for building long-term and profitable business relationships.

21. Design Your workspace for success.

Carefully plan and design your home office workspace to ensure maximum personal performance and productivity and, if necessary, to project professionalism for visiting clients. If at all possible, resist the temptation to turn a corner of the living room or your bedroom into your office. Ideally, you'll want a separate room with a door that closes to keep business activities in and family members out, at least during prime business and revenue generating hours of the day. A den, spare bedroom, basement or converted garage are all ideal candidates for your new home office. If this is not possible, you'll have to find a means of converting a room with a partition or simply find hours to do the bulk of your work when nobody else is home.

22. Get and stay organized.

The key to staying organized is not about which type of file you have or whether you keep a stack or two of papers on your desk, but it's about managing your business. It's about having systems in place to do things. Therefore, you want to establish a routine by which you can accomplish as much as possible in a given workday, whether that's three hours for a part-time business or seven or nine hours as a full-timer. In fact, you should develop systems and routines for just about every single business activity. Small things such as creating a to-do list at the end of each business day, or for the week, will help keep you on top of important tasks to tackle. Creating a single calendar to work from, not multiple sets for individual tasks or jobs, will also ensure that jobs are completed on schedule and appointments kept. Incorporating family and personal activities into your work calendar is also critical so that you work and plan from a single calendar.

23. Take time off.

The temptation to work around the clock is very real for some home business owners. After all, you don't have a manager telling you it's time to go home because they can't afford the overtime pay. Every person working from home must take time to establish a regular work schedule that includes time to stretch your legs and take lunch breaks, plus some days off and scheduled vacations. Create the schedule as soon as you have made the commitment to start a home business. Of course, your schedule will have to be flexible. You should, therefore, not fill every possible hour in the day. Give yourself a backup hour or two. All work and no play makes you burn out very fast and grumpy customer service is not what people want.

24. Limit the number of hats you wear.

It's difficult for most business owners not to take a hands-on approach. They try to do as much as possible and tackle as many tasks as possible in their business. The ability to multitask, in fact, is a common trait shared by successful entrepreneurs. However, once in a while you have to stand back and look beyond today to determine what's in the best interest of your business and yourself over the long run. Most highly successful entrepreneurs will tell you that from the time they started out, they knew what they were good at and what tasks to delegate to others.

25. Follow-up constantly.

Constant contact, follow-up, and follow-through with customers, prospects, and business alliances should be the mantra of every home business owner, new or established. Constant and consistent follow-up enables you to turn prospects into customers, increase the value of each sale and buying frequency from existing customers, and build stronger business relationships with suppliers and your core business team. Follow-up is especially important with your existing customer base, as the real work begins after the sale. It's easy to sell one product or service, but it takes work to retain customers and keep them coming back.

James Stephenson is an experienced home based consultant with more than 15 years of business and marketing experience. He is the author of several popular books, including [Entrepreneur magazine's Ultimate Startup Directory](#) and [Ultimate Small Business Marketing Guide](#), both available from [Entrepreneur Press](#).

Successful Entrepreneurs

by Judith L. Glick-Smith

According to Webster's dictionary, an entrepreneur is one who organizes, manages, and assumes the risks of a business or enterprise. Entrepreneurs live in the future. They have creative personalities, are innovative, and thrive on change. But what makes an entrepreneur successful? Research done by Southern Methodist University's Cox School of Business came up with common characteristics of over 200 successful entrepreneurs. Successful was defined as being in business for at least 5 years and who has gross revenues of at least \$1 million.

Common Traits in a Successful Entrepreneur

1. **Good health.** Successful entrepreneurs must work long hours for extended periods of time. When they get sick, they recover quickly.
2. **A Need to Control and Direct.** They prefer environments where they have maximum authority and responsibility and do not work well in traditionally structured organizations. This is not about power, though. Entrepreneurs have a need to create and achieve by having control over events.
3. **Self-confidence.** Findings showed that as long as entrepreneurs were in control, they were relentless in pursuit of their goals. If they lost control, they quickly lost interest in the undertaking.
4. **Sense of Urgency.** They have a never-ending sense of urgency to do something. This corresponds with a high energy level. Many enjoy individual sports rather than team sports. Inactivity makes them impatient.
5. **Comprehensive Awareness.** They have a comprehensive awareness of a total situation and are aware of all the ramifications involved in a decision.
6. **Realistic Outlook.** There is a constant need to know the status of things. They may or may not be idealistic, but they are honest and straightforward and expect others to be the same.
7. **Conceptual Ability.** They have superior conceptual abilities. This helps entrepreneurs identify relationships in complex situations. Chaos does not bother them because they can conceptualize order. Problems are quickly identified and solutions offered. The drawback is that this may not translate well to interpersonal problems.
8. **Low Need for Status.** Their need for status is met through

achievement not through material possessions.

9. **Objective Approach.** They take an objective approach to personal relationships and are more concerned with the performance and accomplishment of others than with feelings. They keep their distance psychologically and concentrate on the effectiveness of operations.

10. **Emotional Stability.** They have the stability to handle stress from business and from personal areas in their lives. Setbacks are seen as challenges and do not discourage them.

11. **Attraction to Challenges.** They are attracted to challenges but not to risks. It may look like they are taking high risks, but in actuality they have assessed the risks thoroughly.

12. **Describing with Numbers.** They can describe situations with numbers. They understand their financial position and can tell at any time how much they have in receivables and how much they owe.

Key Characteristics of Successful Entrepreneurs

Kanga Siva

Successful Entrepreneurs are a special breed of people who stand out from the rest. New enterprises come up everywhere all round the year. Before long the vast majority of them disappear from the scene. Yet in this scenario we are able to view a few successful enterprises that stand tall and acknowledging the fact that their success is in no uncertain terms due to the smart entrepreneurs at the helm of these businesses. These outstanding men possess some very special or key characteristics which is seldom noticed among the vast majority of business entrepreneurs. What are the Key Characteristics of these successful entrepreneurs that propel their businesses to the top?

1. These entrepreneurs have a strong belief in themselves. They are always optimistic, have a positive outlook and are very much aware of their talents and abilities. They are great achievers and are always confident that success can be achieved.
2. They are great dreamers and have the habit of thinking big. They want to explore new horizons. New business opportunities, new ideas and money making opportunities often grab their attention.
3. These entrepreneurs are prepared to take calculated risks. They know very well that unless you venture out nothing tangible can be achieved. Nothing ventured nothing gained.
4. They always work according to a plan. They have a short term plan and a long term plan. Their goals are clearly laid out.
5. Successful entrepreneurs are enthusiastic, dedicated and passionate about their business. Everything they undertake, big or small oozes with self-confidence.
6. They are very knowledgeable about their business and actively participate in all business related workshops and seminars. Thus they are up to date with the latest developments.
7. Building an excellent public image is one of their key characteristics. They strive very hard to build an excellent public image for their business and for themselves. They perceive this as very critical in a competitive market.
8. Successful entrepreneurs are great donors to charitable causes and institutions. Their customers and the general public greatly appreciate their generosity which has a positive effect on their business.
9. A growing business faces many challenges in the market place. Changes are

inevitable if you want to be successful and these entrepreneurs are ever ready to meet these challenges and make the necessary changes.

10. They are always customer oriented. Their attitude that the customer is always right helps them build good customer relationships and thus beat the competition.

11. Time Management plays a major role in the lives of these smart entrepreneurs. They do not procrastinate. They think fast and make quick, wise decisions that helps them progress much faster than their competitors.

12. These entrepreneurs are highly motivated people. Failure is never an option for them. They remain completely focused on their business and their main ambition is to be a successful business entrepreneur.

These key characteristics are essential for entrepreneurs who want to succeed and it can be observed that a vast majority of successful entrepreneurs do possess most of these characteristics.

Ten characteristics of successful entrepreneurs

1. **An eye for opportunity:** Many entrepreneurs start by finding a need and quickly satisfying it.
2. **Independence:** Even though most entrepreneurs know how to work within the framework for the sake of profits, they enjoy being their own boss.
3. **An appetite for hard work:** Most entrepreneurs start out working long, hard hours with little pay.
4. **Self-confidence:** Entrepreneurs must demonstrate extreme self-confidence in order to cope with all the risks of operating their own business.
5. **Discipline:** Successful entrepreneurs resist the temptation to do what is unimportant or the easiest but have the ability to think through to what is the most essential.
6. **Judgment:** Successful entrepreneurs have the ability to think quickly and make a wise decision.
7. **Ability to accept change:** Change occurs frequently when you own your own business, the entrepreneur thrives on changes and their businesses grow.
8. **Make stress work for them:** On the roller coaster to business success the entrepreneur often copes by focusing on the end result and not the process of getting there.
9. **Need to achieve:** Although they keep an “eye” on profits, this is often secondary to the drive toward personal success.
10. **Focus on profits:** Successful entrepreneurs always have the profit margin in sight and know that their business success is measured by profits. Is this your profile or would you rather do your job, pick up your paycheck and leave the headaches to someone else? Most of us, quite easily, choose the later.

Entrepreneurs & Leaders

Murray Johannsen

To keep going despite set backs, is the hallmark of all successful entrepreneurs and business leaders. While much has been written about the managerial challenges of running a business, less has been written about the characteristics underlying great [leadership](#). This article describes nine psychological characteristics of great leadership.

Leadership Characteristic 1: Self-Esteem

Underlying everything, is a high sense of one's own self-worth. Without that, individuals will never undertake tough challenges. If one does not have it, it's important to [develop self-esteem](#).

Leadership Characteristic 2: Need to Achieve

This need has been associated with entrepreneurs and leaders who constantly seek to perform at their best. For example, this leadership characteristic would have described Oliver Cromwell (1599 to 1658) the Lord Protector of England, who once remarked, "He who stops being better, stops being good." The great Harvard psychologist David McClelland is most associated with need for achievement, a need learned by children primarily from their parents (McClelland, 1965).

Individuals high in this need are open to feedback, are goal oriented, seek to be unique, and strive for accomplishments based on their own efforts—characteristics important to effective leadership. They also take risks, not extreme risks, but moderate ones.

And what is moderate risk? Moderate risk means you have the ability to influence events, but don't have complete control. The key is that individuals believe they will be successful, but it is not a sure thing.

Leadership Quality 3: Screening For Opportunity.

Like all individuals, leaders screen incoming information to separate the useful from the useless. However, successful entrepreneurs and business leaders screen incoming information to constantly seek new growth opportunities. They act like gold miners who must sift through tons of dirt to find those a few precious golden nuggets.

Unfortunately, the vast majority of business people seem blind to new opportunities and so continually miss new ways to grow the business. Some would argue that it is not really finding opportunity, but getting lucky. Of course there are individuals who seem to have the knack of being in the right place and the time. For example, I have a good friend George who had escaped communist Romania in the early 1960s and made his way to the United States.

After being here for a while, he decided to start a leather goods business. Putting together a few samples, he then went out to talk to buyers about the possibility of getting started. Getting an appointment with the very first buyer, he showed his samples and got this response, "I'll buy everything you can sell me." He asked why he was so fortunate and the buyer responded, "I wanted to drop our previous vendor since he was ripping us off" From this "lucky" start, George went on to develop an extremely successful business—becoming a millionaire many times over. One could argue that he was lucky or that he capitalized on an opportunity missed by competitors.

Leadership Characteric 4: Locus of Control

Successful leaders and entrepreneurs typically show a high internal locus of control (Lee, 2001). In many different studies done over the years, those with a high internal locus of control are more likely to experience success, than individuals who are high on the external locus of control. When someone perceives events as under the control of others, fate, luck, the system, their boss, etc. they have an external locus of control. Individuals high on the internal locus of control have a different assumption about how the world works. They assume that any success they experience is due to their personal efforts and that they have the ability to influence events. Interestingly, internal also assume failure was also their fault.

Leadership Characteristic 5: Goal Orientation

Businesses come and go, but those that last always share a common characteristic with their founder—a relentless drive to accomplish goals. They understand what the priorities are and continue to work at toward that goal, day in and day out.

For many, leadership characteristic of staying focused on a goal is a very difficult thing to do since life in the world of business tends to distract us. McKinsie in this book “The Time Trap” put it this way, “A man was struggling to cut down enough trees to build a fence. An old farmer came by, watched for a while, then quietly said, “Saw’s kind of dull, isn’t it?” “I reckon,” said the fence builder. “Hadn’t you better sharpen it? Said the farmer. “Maybe later,” said the man, “I can’t stop now—I got all these trees to cut down.” Our goal should be to continue to perfect ourselves, something we rarely have time for.

Leadership Characteristic 6: Optimism

Underlying successful entrepreneurial leadership is a boundless font of optimism that never seems to end. When faced with a problem, they view it as a challenge. When faced with a setback, they view it as a new direction, when told no, they say, “Maybe not now, but I know you’ll change your mind later.” This characteristic contrasts sharply with the vast majority of people who project a more pessimistic, defeatist quality. It’s this belief in the positive that serves as the foundation for dealing with the many set-backs one will inevitably encounter in the world of business.

Young children naturally have a positive view which seems to turn more negative as they age. Parents can easily test this in children by asking the question, “What will you be when you grow up?” Young children confidently say, exactly what they want to be. However, ask a teenager the same question and they aren’t so sure.

Leadership Characteristic 7: Courage

Many professors talk about entrepreneurs as risks takers. But this leadership characteristic is like saying snow is cold—it’s accurate but missing something. Another way is to say the same thing is that one must have guts. It requires a great deal of courage to build a company from the ground up.

Someone once explained that large organizations function like “womb” protecting employees from a harsh and unforgiving environment. It takes a great deal of courage to leave a corporate or government womb and strike out by oneself into the cold, cruel world of business. When one first starts a business, one is alone.

Leadership Characteristic 8: Tolerance to Ambiguity

This term refers to a person’s tolerance to uncertainty and risk. Entrepreneurs generally score high on this scale (Entrailgo, 2000).

As we age, we have a tendency to be more comfortable repeating a relatively small set of behaviors. For example, we eat pretty much the same food, shop in the same stores, watch the same programs, have lunch with the same people, listen to the same music. etc. One may change jobs, but rarely does one change industries. It's amazing how many people end up retiring in the same industry in which they got their first job.

If one's tolerance for ambiguity is low, one will gravitate toward large, established organizations—better still, work for the government where things change little if at all. In contrast to older, established organizations, entrepreneurial start-ups exist in an environment where almost everything is new and many things have not been done before. For example, no policies exist to guide action and start-ups typically lack the old timers who serve as the voice of experience.

Leadership Characteristic 9: Strong Internal Motivation—The “Fire Inside”

The motivation that drives our behavior comes from two sources: internal (intrinsic) and external (extrinsic). Intrinsic factors include constructs like needs, desires, motives, and will power. Extrinsic factors include any type of motivational influence from the environment such as rewards and punishments.

For entrepreneurs, the most important motivational factor is the intrinsic one. Entrepreneurs keep going despite the fact that employees tell them they are foolish, friends say they are wasting their time, and family tells them to get a real job. When the intrinsic drive goes away, so does any chance of success.

A few years ago, we put together a 160-hour program to teach very bright scientists and engineers how to put together an investor quality business plan. The thinking was that with the right knowledge and coaching, these future entrepreneurs would be able to get a seed round from investors and go on to build a fast growing organization. However, a number of these individuals never opened the doors. Why you might ask? It wasn't that they lacked knowledge and brilliance—it was a lack of desire, what we called the “fire inside.”

Wrap-Up

The good news is that many of these leadership characteristics are learnable. For example, one can train the mind to

Characteristics of Successful Entrepreneurs Exercise

The screenshot shows a software interface for a management exercise. At the top left, it says 'McGraw-Hill / Irwin presents Management Tutor Series™'. At the top right, it says 'Copyright © 2002, 2003, The McGraw-Hill Companies'. The main title is 'characteristics of successful entrepreneurs' with a small icon of two overlapping squares. Below the title is a 'DIRECTIONS' section with a text box containing the following text: 'Entrepreneurship is the process of creating a business enterprise capable of entering new or established markets. An entrepreneur is someone who notices opportunities and takes responsibility for mobilizing the resources necessary to produce new and improved goods and services. He or she creates an enterprise that becomes a new entry to a market. Experts differentiate between entrepreneurial management and small-business management. Important goals of entrepreneurs are growth and profitability of the firm. An entrepreneurship may be small during its early stages, but the goal is to eventually become a medium or large sized firm. In contrast, a small business is independently owned and operated, does not dominate its markets, and remains small in size. Importantly, entrepreneurship'. To the right of the text box is a vertical scrollbar. At the bottom, there are two buttons: 'PRACTICE MODE' and 'TEST MODE'.

Take the Characteristics of Successful Entrepreneurs Exercise at:

http://www.mhhe.com/business/management/nickels_assess/Characteristics%20of%20Successful%20Entrepreneurs/exercise.html.

Click on "Practice Mode". Select your True/False response for each statement, then click on the key icon to see the answer.

McGraw-Hill Management Tutor Series

Characteristics of Successful Entrepreneurs

Self Test

Entrepreneurship is the process of creating a business enterprise capable of entering new or established markets. An entrepreneur is someone who notices opportunities and takes responsibility for mobilizing the resources necessary to produce new and improved goods and services. He or she creates an enterprise that becomes a new entry to a market. Experts differentiate between entrepreneurial management and small-business management. Important goals of entrepreneurs are growth and profitability of the firm. An entrepreneurship may be small during its early stages, but the goal is to eventually become a medium or large sized firm. In contrast, a small business is independently owned and operated, does not dominate its markets, and remains small in size. Importantly, entrepreneurship creates new jobs, stimulates innovation, and provides opportunities for diverse people who may otherwise face frustration, career obstacles, and discrimination in large organizations.

Research has shown a number of characteristics associated with entrepreneurs. They tend to have a high need for achievement. That is, they have a strong desire to solve problems on their own, enjoy setting goals and achieving them through their own efforts, and like receiving lots of feedback on how they are doing. Additionally, entrepreneurs are likely to have an internal locus of control. When a person with an internal locus of control fails or makes a mistake, he or she is likely to accept responsibility for the outcome and try harder, rather than search for external reasons to explain the failure. This characteristic makes entrepreneurs persistent and motivated to overcome barriers that would deter others. (People with an external locus of control believe that what happens to them is due to luck, fate, or factors beyond their control.) Entrepreneurs are likely to score high on the personality trait of "openness to experience," meaning that they are predisposed to be original, open to a wide range of stimuli, be daring, and to take risks. Entrepreneurs likely have high levels of self-esteem and feel competent and capable of handling most situations.

One survey found that entrepreneurs, on average, were less distinguished students, more likely to have been expelled from school, and less likely to have been student leaders or fraternity members than were big-business leaders. Entrepreneurs ran businesses at an earlier age but also had been fired more frequently and had jumped from job to job before starting their own businesses.

Entrepreneurs also excel at business skills such as negotiation, networking, and leadership. Negotiation consists of an exchange of goods or services between two or more parties in which the terms of the exchange are indeterminate. Entrepreneurs use networking skills in both personal and business networks to gather information and build alliances. A personal network is based on relationships between the entrepreneur and other entrepreneurs, suppliers, creditors, investors, and friends. A business network is a framework of alliances forged among businesses to achieve mutually beneficial goals. Finally, entrepreneurs use leadership skills to provide a shared vision of a common goal. They often use a transformational leadership style characterized by the ability to bring about significant change in the organization.

An entrepreneurship begins with a new business idea. The next step involves developing a business plan, followed by selecting the most appropriate type of legal structure (e.g. proprietorship, partnership, or corporation). The budding entrepreneur must then obtain financing. Finally, the successful entrepreneur must deal with growth and expansion - often the

most difficult challenge. Importantly, entrepreneurship is not the same as management. Management encompasses all the decisions involved in planning, organizing, leading, and controlling resources. Entrepreneurship involves noticing an opportunity to satisfy a customer need and then mobilizing resources to make a product that satisfies that need. Entrepreneurship gives way to management as the pressing need becomes to provide the product efficiently and effectively.

Take the Characteristics of Successful Entrepreneurs Exercise at:

http://www.mhhe.com/business/management/nickels_assess/Characteristics%20of%20Successful%20Entrepreneurs/exercise.html.

Instructions

You have two choices for completing this exercise: "Practice Mode" or "Test Mode." If you choose "Practice Mode," you will decide whether each of 18 statements about the characteristics of successful entrepreneurs is true or false. After making each choice, you'll read some immediate feedback. You may make a true/false decision and receive feedback for as many of the statements as you wish.

In "Test Mode," you will receive a score and feedback report after you have made a choice for all 18 statements. Your feedback report will compare your choice with the correct one for each question.

Now proceed by selecting "Practice Mode".

Select True or False.

1. Entrepreneurs work harder and longer hours than their counterpart managers in large organizations.
2. Research indicates that successful entrepreneurs tend to have a high need for achievement.
3. Money is the most important start-up ingredient in a successful entrepreneurial venture.
4. Successful entrepreneurs must be young and energetic.
5. Entrepreneurs are more likely to have an internal (rather than external) locus of control.
6. Entrepreneurs are motivated solely by the quest for profit.
7. Entrepreneurs are likely to score high on the "openness to experience" personality trait.
8. Entrepreneurs go into business to seek power and control over others.
9. Any entrepreneur with a good idea can raise venture capital.
10. Entrepreneurs are likely to have high levels of self-esteem.
11. Entrepreneurs tend to be undistinguished students.

12. Entrepreneurs are loners who don't work well with others.
13. Entrepreneurs are born - not made.
14. Entrepreneurs were more likely to have been expelled from school as students.
15. Entrepreneurs have a high sense of accomplishment and are less likely to retire than those who work for others.
16. Most entrepreneurs are successful on their first venture attempt.
17. Successful entrepreneurs are calculated risk-takers.
18. Entrepreneurs were more likely to have been fired from previous jobs than their corporate counterparts.

2009 Top 10 Issues for Family Business

- **1. Growth Planning**
- **2. Organization Design**
- **3. Operational Effectiveness and Efficiency**
- **4. Leadership / Management**
- **5. Compensation**
- **6. Communication**
- **7. Customer Service**
- **8. Risk Management / Succession Planning**
- **9. Management and Ownership Transition**
- **10. Global Perspective**

Many entrepreneurial businesses do a great job of selling and growing a business, but lack the skills for **Growth Planning**. Strategic and operations planning are critical to the long term survival of any business. This type of planning asks the questions: Who are we? Where are we headed? What is our game plan? How do we accomplish it?

As a small business grows, the lack of **Organizational Design** becomes evident. Entrepreneurs focus on doing instead of identifying and defining tasks, grouping tasks into jobs, jobs into departments and then linking it all together through a system of communications, performance measurement and control.

As growth occurs, the "do it myself" syndrome of the entrepreneur manifests itself in gross inefficiency. Whether **Operational Effectiveness and Efficiency** occurs as a result of continuing training in accounting, marketing, customer service and production or as a result of outsourcing the function is immaterial. Advances in technology dictate the evaluation of all areas of the business. Especially in this area, professional assistance can reduce friction in closely-held or family businesses.

Many believe that leadership skills are inherent, but those skills can be trained and fine-tuned to produce results. The fact is solid plans and capable personnel accomplish little without the inspiration of effective **Leadership and/or Management**.

The area of **Compensation** can be one of the most volatile areas in any business but that is magnified with the involvement of only a few owners or family. Obviously, better run companies base compensation on results. Clearly defining the performance criteria that is critical to the business and who is responsible for the performance is the first step in performance based compensation, rather than discretionary compensation or bonuses.

When a company is staffed by an owner's relatives and friends, the potential for poor **Communications** is staggering. Clear communication is vital to a healthy, functioning business. If this is a problem area, outside professional assistance is mandatory.

A small company with the ability to act and react quickly should have the advantage when it comes to **Customer Service**. Unfortunately, as the business grows, many owners lose sight of

the importance of the customer. Customer surveys, mystery shoppers, and other independent techniques are invaluable to maintaining world class customer service.

No one likes to think about potential disaster, but solid **Risk Management and Succession Planning** can avert the worst case scenario. Without sound plans in place, a business that took years to build can evaporate in months. Some simple plans include cross-training, analysis of factors specific to the business, insurance, estate planning, and backup and buy / sell agreements.

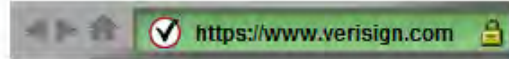
As the company grows, **Management and Ownership Transition** planning becomes important. This is another area where it is advantageous to bring in outside assistance. What this consultant can bring is technical support, experience, but most importance impartiality. The fact that the average family-owned business doesn't survive the second generation suggest that owners might consider selling the business instead of "passing it on".

Survival in the 21st century means adopting new technology and adjusting to continual change. The internet has given all local businesses a **Global Perspective**. At one time a business was only affected by what happened at City Hall. Today, the economic and regulatory matters that occur on the other side of the globe may well affect decisions that must be made locally.

Every business owner should step back and honestly evaluate the situation. Existence tomorrow is determined by how you measure up to these top ten business issues.

Give your users a visible sign of safety.

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Best Resources for Startups

Here's an insider's guide to 4 of the best startup resources.

By David Port | [Entrepreneur Magazine - April 2009](#)

URL: <http://www.entrepreneur.com/magazine/entrepreneur/2009/april/200806.html>

It's a jungle out there, especially for startups. Good news, though: Information, advice and assistance are available--often at no charge. Armed with the proper coordinates, you can gain quick, direct access to one-on-one counseling, step-by-step strategic guidance, legal advice, funding opportunities and more. Here's an insider's guide to four of the best startup resources:

1. **SCORE:** A nonprofit that provides free online and in-person mentoring via a national counseling force of 11,800 working and retired business owners and executives in nearly 400 chapters

- Trained counselors/mentors are matched to client's specific needs and business or market.
- Counseling is multidimensional--motivational as well as practical, informational and strategic.
- Additional support is available in the form of online learning, how-to articles, business templates, low-cost workshops and an extensive resource library.
- Visit the SCORE website regularly: This year, SCORE began posting monthly "Small Business Smart Start Tools," with resources for assessing your business, organizing your workplace and planning for success. Tips for January included an online workshop to develop a quick-start business plan, and two startup quizzes to help size up the competition and the earning potential of a business idea.
- SCORE counselors are available to assist in "as many follow-up appointments as necessary," says Martin Lehman, a SCORE counselor. "We're here to help."
- A [subsite](#) is dedicated to helping women entrepreneurs.

2. **Small Business Development Centers:** An expansive network of some 1,100 branch offices, delivering counseling, training and technical assistance in all aspects of small-business management. "Every startup needs three things," says Kristin Johnson, director of the Northern California SBDC network. "A lawyer, an accountant and an SBDC advisor."

- It's all here: help with financials, marketing, production, organization, engineering and technical problems, and feasibility studies.
- Confidential one-on-one counseling is a core strength.
- Workshops for startups run regularly at local SBDCs, and most are free. "We recommend every client [attend] one before seeking one-on-one counseling," says Kelly Manning, state director of the Colorado SBDC network.
- All centers have an on-site resource library.
- Check with the SBDC in your area about specialized programs, including industry-specific training and events for nascent entrepreneurs.
- Many SBDCs publish a region-specific business resource guide every year or two. If your local center publishes one, it's worth checking out, says Manning.
- Don't wait to reach out to an SBDC, Johnson urges. "It's never too early to start working with someone on your idea."
- Make an appointment for a counseling session, and come prepared with a list of questions. Even better, come with a rough business plan.
- Need multiple counseling sessions to sort things out? Never a problem--and never a charge.
- Many SBDCs are housed at academic institutions, so startups can tap grad student research groups for customized--and free--market research. Ask an SBDC advisor how it works. "It's less utilized than it should be," Johnson notes.
- Ready to start your quest for funding? Visit an SBDC advisor for help refining your business plan and financials first.

3. **SBA:** Via the web and district offices, the SBA offers an array of tools and resources to help new and aspiring business owners succeed.

- There are too many resources to list them all, but Holly Schick of the SBA's Office of Entrepreneurial Development recommends starting with the Start-Up Assessment Tool.

- The Small Business Planner has guides on just about every aspect of startup.
- Access free, at-your-own-pace courses on topics like writing a business plan. These 30- to 45-minute courses pack an educational wallop.
- Delve into the SBA's resource library.
- If you or a spouse is or was in the military, check out Patriot Express, a new SBA initiative that provides expedited funding for startups.
- Pay a visit to an SBA district office for startup info relevant to a specific state and locality.
- Visit an SBA Women's Business Center or Office of Women's Business Ownership for free support.
- Check out one of the SBA's Minority Business Development Centers for free business consulting services and financial management advice.
- Check the SBA website frequently, advises Schick, because resources for startups are regularly updated (and usually highlighted in the "Spotlight" column on the homepage).

4. **[U.S. Chamber Small Business Center](#)**: This arm of the U.S. Chamber of Commerce provides comprehensive startup assistance via web-based tools and resources.

- The center's Startup Toolkit is a must, says the U.S. Chamber's Giovanni Coratolo. It runs the how-to gamut, from evaluating an idea's chances for success to accessing capital and beyond.
- A large small-business library is at your fingertips.
- Coming soon: enriched resources on the center's website, with anticipated contributions from partners SCORE, SBDCs and the FastTrac entrepreneur learning program, says Coratolo.
- Tap the "Tools" section of the center's library for various model business documents, spreadsheet templates and government forms.
- Check out the center's guidance on business exit planning. "Knowing how to exit a business will dictate how you shape that business," Coratolo says.
- Guidance on landing government contracts is especially worthwhile he says.

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