

# Small business management and entrepreneurship

Business



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Andrea's business advisor had enough expertise or experience to recognize the importance of self-analysis or self-assessment in not just starting up a business but in other aspects of life. Goldberg and Rowh (2003) explain that self-assessment is the process by which you begin to acknowledge your own particular blend of education, experiences, value, needs, and goals (p. 3).

They continue to explain that this type of self-evaluation makes one fathom some personal values, financial needs, and abilities, long-term and short-term goals, choice of skills and techniques, and most importantly, knowing oneself well enough to follow passions first instead of regretful careers. Any person, such as Andrea, who is looking for a new challenge in their career will find that self-analysis enables them to express some facets of their personality to everyone, including clients and business partners, without restraint. Andrea's business advisor may have wanted to find out whether Andrea was simply reacting to a situation or she was ready to start her own business. A self-analysis, as the business advisor stated, makes an individual recognize her strengths and weaknesses. It is a complicated process that even Andrea found tiresome and "navel-gazing", yet it is the fundamental step in any new venture, more so in self-employment.

The process of self-analysis starts with an individual coming to terms with his or her personal traits, values, habits, abilities, and needs. Goldberg and Rowh (2003) state, "Gaining a better understanding of your traits can help you evaluate job and career choices." Identifying such traits makes an individual assess whether it is worth to express them in self-employment or in a formal job. Some traits and skills would be better left as hobbies done outside work hours instead of as a main source of livelihood (p. 4 – 5).

Sometimes, leaving formal employment for self-employment, like Andrea wanted to, is a risky affair, if one has not identified his or her personal needs.

These needs may include family demands, financial obligations, and time constraints. Self-analysis entails being honest with one about these needs, so that before venturing into self-employment one knows there may be conflict of habits and interests, which may make self-employment no longer interesting as it first promised. Going into self-employment may make one go against some personal principles and values. For example, Andrea found “most subjects at school too academic and lacking in practical application.” She clearly wants to focus her energy on academic values that connect to improving her life. However, it is clear that she will have to pay attention to more than just her line of work.

Some of the values she held while studying had to change to make her work better even if they do not relate to her line of work. Andrea clearly needed a self-analysis as her business advisor advised. She has no idea what her weaknesses are, and she explained her “strengths” as she thought, but such explanations as experience and networking do not warrant as strengths when starting a business. They are vital abilities and a great addition, but real strengths and weaknesses involved personal character values and traits, such as level of motivation and insight, patience, mental and physical strength, versatility, and timidity. By doing self-analysis, Andrea would know and explore the numerous ways of using her abilities, both academic and experiences, to reward herself whether in self-employment or in formal employment.

This would have helped her identify her short-term and long-term goals, which include provision of necessities, higher self-esteem, and long-term financial security among many others. Andrea would have found out whether her skills and experience combined with her personal traits match up to the task of starting a new business. It is important to “possess a certain mix of skills that will allow you to carry out the duties required by that job” (Goldberg and Rown, 2003: p 17). The bottom line is that Andrea’s advisor knew the importance of self-analysis. He, just like Barron (1997), valued the insight gained in self-analysis. Barron gives an example of why self-analysis is vital.

“Throughout this period of intensive self-analysis and afterward, Freud relied on the intuition provided by his dreams and associations, both of which were in rich supply. His self-analysis permitted him to build up, in the form of images, an endless and ever available stock of new ideas” (p. 282). This example is a source of motivation showing that self-analysis is the basis to successful businesses and in other aspects of life. Davidson’s bankers and investors found self-analysis an important part of starting up their business, since they shared their strengths and weaknesses. This made the co-founders realize that each of them had abilities that complimented or supplemented each other, and they could easily help each other out.

By asking for help from the other party, Kit Hugos and Robin Davidson will be able to assess their individual skills that require further development. The last step in self-analysis involves asking other people for opinions about oneself. This eliminates any wrong conclusions about oneself regarding personal beliefs and traits. Andrea was reluctant to follow her business

advisor's advice, yet she needed it. Davidson's bankers and investors used it to improve their personal interactions, and probably to find out more about the aspects of their business that each individual would deal with and improve. For any person, establishing a new business requires intent and justification.

This means a conscious and planned resolve that drives actions necessary to launch a business (Stokes and Wilson, 2006: 39). This means that the individual starting a business has to have procedures that bring about innovation. Andrea and Kit showed the intention that they were ready to start their own business, or be owner-managers by venturing into self-employment. However, each one of them has different levels of strengths and weaknesses that make self-employment possible, manageable, or difficult. The first-hand influence that a founder of a business has on its establishment is critical to its development.

That is why some skills and traits are vital when starting a business. Some personal traits and attributes that make a successful owner-manager include the urge to achieve. This motivational force makes people see and act on opportunities. Andrea had seen an opportunity in the payroll system, but she was not ready to do whatever it takes to realize her ambition. When advised by her advisor on what to do first, she dismissed the idea as difficult, and even opted to get on with the job.

On the other hand, when Robin presented Kit with both an idea and an opportunity, Kit almost immediately agreed and was eager to go on with the next step of establishing the business. Kit showed the desire to start being

self-employed and being an owner-manager. Another important trait of an owner-manager is the “ability to innovate” (Stokes and Wilson, 2006: 47). One can learn this skill without necessarily having it as a talent. A good innovator is always searching for innovations without waiting for a moment of aspiration or inspiration.

A successful owner-manager looks for innovation and ways to develop goods and services related to the innovation. He or she is self-motivated and opportunistic. Andrea does not show any of these descriptions. In fact, she is the opposite of all the above traits. She had been in the payroll for years and had established contacts with public services that would have aided her set up, yet she did not take advantage of it.

On the other hand, Kit saw an opportunity that he received enthusiastically. He already had ideas of his own before Davidson approached him, and so it was a classic case of preparedness meeting opportunity. An important aspect of a good owner-manager is the ability to draw attention to cognitive adaptability. This means that he or she can change decisions policies effectively and appropriately depending on where opportunity lies. He or she has the vision and drive to identify and exploit opportunities, whilst remaining flexible enough to re-think and re-direct opportunities in different directions, as and when required (Stokes and Wilson, 2006: 48). Formal education plays an important role in raising the ability of an individual to evaluate and sieve out favorable opportunities.

Andrea dismissed academic qualifications citing lack of proper practical application. She only seeks one academic qualification outside high school.

She seems reluctant to learn new things while Kit almost enrolled for a postgraduate degree, save for lack of funds. He already has a university degree and does extensive research in electronic engineering hoping to improve his sales skills in electronics. He shows the ability to be adaptable as any successful owner-manager should be. In terms of strategic management skills, both Andrea and Kit showed competencies.

Andrea had worked in several companies in the payroll service, and, therefore, her skills and experiences are undeniable. Kit is well-educated, eager to learn more, and has some experience working with a variety of people. Therefore, they have strategic management competencies they need to be self-employed or become owner-managers. Some entrepreneurial management behaviors, such as being able to identify an opportunity, are fundamental in establishing any business. Andrea did not display this, since she already has networks and skills to start a business but she does not take it. Kit takes up the first opportunity and already has ideas to make it possible.

Another key strategic management that is common to both Andrea and Kit is good human relations, though they are at different levels. Andrea enjoys working with people but this is not enough, since she does not enjoy meetings and chitchats. It is through these interactions that one can have proper owner-manager relations. Kit does not have a problem interacting with people, as the conversation with Davidson shows. He knows his weaknesses and even goes ahead to ask for help about them.

Another entrepreneurial management behavior is networking. Both Andrea and Kit show they have the ability to establish contacts with the right people to help them in their respective fields. Andrea clearly states she knows the public services that will provide her with at least two thirds of the business she needs to set up. Kit states that he has built up a lot of good contacts during his travels in and out of his area of industry. The only difference between the two is that Andrea focuses on one area only, while Kit has broadened his resources away from his area of specialty. In general, Andrea lacks the proper attribute and skills to be a good owner-manager, so she is not ready to try out self-improvement.

She finds it difficult to start a business and to change some aspects of her life that will help her start a business. Kit has the necessary motivation, skills, and personal attributes of a potentially successful owner-manager. He shows eagerness to start a business and learn new things. He already knows his strengths and weaknesses, which makes him ready to start any business venture as an owner-manager. To run a small business, an individual requires an entrepreneurial edge that involves practices that steer the market process.

This means attention will have to be on the art of entrepreneurship and the procedure through which the market and society change occurs.

Entrepreneurship involves a transformative process of social and market change that creates value for individuals and society (Stokes and Wilson, 2006: 32). Starting and running a small business is a practice that is not limited to making profits only, but also a variety of contexts that make running a small business satisfactory. Running a small business requires the <https://assignbuster.com/small-business-management-and-entrepreneurship/>



owner to have an urge to seek out change in a progressive and purposeful way to make the business exploit new commercial ideas. Andrea had the urge to start a business but lacked the creative and innovative nudge to make changes or improve the systems under which she was working. She dismissed the first advice about starting her own business by her business advisor by saying, “ I wonder what good this nave-gazing can do.

I’d rather just get on with the job.” However, Kit showed great entrepreneurial spirit when he shared his ideas with Davidson. He explained he had done some research on electronics engineering and had some interesting ideas to add to the company. Owner-managers have to be around their businesses everyday during the startup phase, so that they can monitor any need for change. Andrea clearly shows the lack of flexibility, since she is not ready to take the first change by doing self-analysis. The next important context for business owner-managers is having practical and compliant management skills.

This means having the knee-jerk need to push away old values and practices to cope with the current reality. It also involves handling different people and situations depending on the need that arises. Andrea was a good manager in her department, and this experience would have made her a good owner-manager. She enjoyed working with other people, and her colleagues stuck by her for that. Kit also had good management skills when dealing with people, as he explained he had contacts with people from his previous working places.

He acknowledges he has some weaknesses, such as short temper, which is harmful for business. He is, however, determined to change for the better and seeks help for it. From the above contexts, Andrea is not yet good at running her own business, since she lacks creative innovation, despite having abundant experience in her area of specialty. Kit can be successful when running his own small business. He possesses most of the basic personal and professional traits to run a business.

He is also ready to make adequate changes that will improve his relationship with his business. Both Andrea and Kit require some form of training to hone their small business management skills and develop better personal traits that will make them better owner-managers. Andrea may have to change her attitude about academic education qualifications. After careful self-analysis, she may identify a favorable academic field to further her education. “ Formal education increases an entrepreneur’s cognitive abilities to better evaluate opportunities” (Stokes and Wilson, 2003: 48). Kit’s formal education qualifications are already impressive.

He may further his studies, but that would be an added option, since he has already identified his area of interest in the field of circuit miniaturization. Another personal development need they both need to look for is technical skills in the product or service they are offering. Simply knowing the field one has interest or experience in is not enough. Developing a relationship with a product or service makes one have more enthusiasm and passion for the business. Andrea could go back to school and learn more about book-keeping or management from where she may discover there are many details she did not gather in her many years of experience.

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Kit can continue with his research in electronics engineering and sales to make him more competent in both marketing and production. Both Andrea and Kit Hugo have good strategic management competencies that may help them in managing vital functions of their small business to achieve their managerial objectives. However, both of them have not been involved in integrating the strategic management functions, since none of them has been in charge of a business as a full manager. The functions include control, organizing, planning, and leading. As a departmental manager, Andrea has competencies in leading and organizing, but her planning and controlling is questionable.

She is unable to plan her own way forward into self-employment, and she seems to lose control of herself to the point when self-assessment is an issue she cannot handle comfortably. Kit is good at planning and organizing, but he may have to improve his control and leading. He is unable to approach Davidson when he is working for TronTech to give him his ideas. He is reluctant to take the initiative to improve his budgeting, as he admits he is poor at it. He lacks control of his temper, so he needs to learn how to control it to be able to control others as an owner-manager. Andrea needs extra development in her entrepreneurial development behaviors.

She has worked for several years in many firms and has built several networks that can enable her to establish a small business, yet she still delays despite the obvious potential. She does not seem to recognize the numerous opportunities her experience has opened up for her. She needs an extra nudge to steer her into action Value creation requires satisfying the interests of the three groups that make a firm successful, namely the

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investors, customers, and employees. Value creation to the investor means consistently in delivering high yields on their principal investment. The yields require both strong revenue growth and attractive profit margins.

Value creation to the customer means producing goods and services that customers find consistently useful and attractive for their taste (Crain & Stan 2008). This involves knowing and consistently coming up with new and unique products and services that keep customers coming back. Value creation to employees involves motivating them by being considerate and mindful of their affairs. This includes favorable compensations for their work, proper training, and adequate advancement. For a company to create sustainable value, it is necessary to cater for all the groups. A company can create value for customers only if it can utilize the vigor and motivation of its employees, and it can only yield profits if it can consistently create value for the customers.

Employees can stay in their jobs for as long as the investors are willing to keep the company running. Investors can keep the company running if they get favorable returns in terms of sales and profits from the customers. Wal-Mart is a private company that employs approximately 1.28 million people in different countries worldwide. It has one of the largest retail chains, generating revenue of more than 200 million dollars per year. The company has acquired a leadership status in retail industry because of the effective supply-chain management procedures it has adopted.

Wal-Mart applies a value chain model to make sure they retain both the customers and their trust. The value chain, therefore, starts from the

procurement stage to the sales stage. The company always places emphasis on reducing its cost of purchasing goods, so that they can deliver goods to the customers at the best price. To achieve this, Wal-Mart buys goods directly from producers and ignores intermediaries. They only make purchases when they are sure that the price is the best for the product. They spend time negotiating and never take any after-sales services to make sure the price is as low as possible.

Wal-Mart ensures they retain their value as a reliable buyer by establishing long-term relationship with producers or manufacturers. They have their own ways of collecting and transporting goods without bothering the manufacturer. They have distribution centers strategically located in all major areas near their retail stores. This makes stocking easy and efficient. The distribution centers have facilities that focus on personal health of employees, such as fitness centers and washrooms (Richmond 2003) They also provide food, bed, and facilities for personal business that all employees can access.

The distribution centers have mechanisms that make location of goods within the stores easy and quick. Wal-Mart has a large and efficient logistics system that supplies all stores with fresh goods twice every week. They have dedicated and experienced drivers who are committed to maintaining safety and efficiency when delivering goods to and from the distribution centers. The use of 'cross-docking' technique in logistics makes sure most finished goods do not stay in distribution centers for any period, so they are always fresh when reaching the customers. Most people have come to associate Wal-Mart with the best quality of goods at the best price.

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Wal-Mart's value chain model, which entails the company's attentive techniques of strengthening its relationships with its suppliers, employees, and customers, has seen the company take advantage of every opportunity to reduce the cost at every process, thereby adding value to the customer (Richmond 2003). The suppliers are always willing to sell goods to Wal-Mart, since they do not have to deal with extra costs, such as insurances and accident costs, after the purchase is complete. Therefore, the transport cost is lower and efficient Wal-Mart uses their own fleet of vehicles to deliver goods. The good bargaining power they enjoy makes the products at the shelf cheaper, thus customers are always satisfied. This makes the sale volume high and consistent.

Define the following terms: a) Specialization Specialization is a practice whereby a business concentrates on production of specific products or services to reap better levels of productivity within that business system. b) Efficiency Efficiency is a degree to which an expected result is achieved in relation to the means of achieving it. If the value of a product at the end of a business transaction is greater than the value of the means used to make it, then the business is efficient. c) Effectiveness Effectiveness is the ability and measure of which a business can produce the objective results. Effectiveness means the business delivers the right results as was intended. d) Equity Equity is the worth of an ownership interest in assets, such as those owned by stakeholders in a business.