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The Entrepreneurial Management Process in a Growing Small Business: A Case Study

James Benjamin Clarke

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THE ENTREPRENEURIAL MANAGEMENT PROCESS
IN A GROWING SMALL BUSINESS:
A CASE STUDY

A THESIS
The Honors Program
St. John's University / College of St. Benedict

In Partial Fulfillment
of the Requirements for the Distinction "All College Honors"
and the Degree Bachelor of Arts
in the Department of Management

by

James Benjamin Clarke

April 30, 1992
"While the entitled children think riches come to the gambler or the Scrooge, to the ones blessed with genius or good connections, who exploit labor or political links, who are gifted with talent or land, natural resources or unnatural luck, entrepreneurs know that genius is sweat and toil and sacrifice and that natural resources gain value only by the ingenuity and labor of man."

George Gilder

The Spirit of Enterprise

"Everything is doable. Generally, the thing that stops us is ourselves. Choose the thing that you like to do. You'll work hardest at it, and you'll have more successes. Don't consider anything either below or above you. It's amazing what you can do then, because a lot of things aren't going to get done unless you do them. Try to be a servant and a steward in life, because we all have just so much time on this earth. If we try to do things that will improve the quality of people's time and lives, we're going to be successful. If our goal is to achieve stature or make money, we'll fail. But if we leave something behind that's valuable for people, we'll be successful."

Art Fry

Inventor of 3M Post-it Notes
The Entrepreneurial Management Process in a Growing Small Business: A Case Study

Approved by:

Dr. Barbara A. Edwards
Project Advisor
Associate Professor of Management

John H. Farley
Professor of Management

Jane M. Kathman
Associate Professor of Management

Wendy L. Klepetar
Chair, Department of Management

Margaret L. Cook
Director, Honors Program
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CHAPTER 1

STATEMENT OF THE PROBLEM

Introduction

We live in an entrepreneurial society. Entrepreneurship and intrapreneurship are taking hold of academic and business management circles. Small businesses have contributed the majority of new jobs and real growth to the economy in the past decade. Innovation, change, creativity, empowerment, and calculated risks have become a necessary reality for businesses to survive, let alone compete, in today’s increasingly competitive global market. Companies that have mastered these concepts and internalized them into their culture are successful and growing. Those that have not are falling by the wayside.

Lawrence Finley noted in his book Entrepreneurial Strategies: Text and Cases, that the number of new corporations started each year has grown substantially from 300,000 in 1975 to 600,000 in 1981 and to 700,000 in 1986 (ix). These new ventures account for the majority of the job creation, innovation, and vitality in our economy. David Burch, author of Job Creation in America, noted that companies with fewer than 100 employees created more jobs than larger corporations in nine out of ten years during the last decade (Finley, 4). In fact, as much as 80% of all new jobs were generated by companies employing fewer than 100 people, and 40% came from new business formation. At the same time, large businesses produced almost no net new jobs (Kaplan, 89).

However, more than 50% of these entrepreneurial ventures failed within the first two years, and of those that survived, only a few were successful and grew into mature enterprises (Kaplan, 89). As small businesses grow and mature from start-up companies to well-established corporations, the functions of the entrepreneur change as they find themselves trying to change and overcome the challenges of the emerging enterprise. These transitional phases often inhibit the growth, if not prove to be the downfall, of many small businesses.

The majority of related research and existing literature focuses on the entrepreneurial aspects of starting a new venture and the intrapreneurial activities of large corporations. However, the literature and research does not focus on the retention and formal implementation of a small business’ entrepreneurial characteristics as a strategy for survival.
and growth as the company faces the transitional growth phases and the resulting changes that occur. The goal of this research study is to identify and analyze the entrepreneurial management process in a single case study and examine its applicability as a practical solution to the problems resulting from the growth and maturity of an entrepreneurial small business.

This chapter examines the research focus and introduces the naturalistic research methodology. The subject of the study is an entrepreneurial small business. A description of the organization, the process of inquiry, and the method of data analysis are also addressed.

**Research Focus**

The majority of related research and existing literature focuses on either the entrepreneurial aspects of starting a new venture or the entrepreneurial activities of larger corporations. Peter F. Drucker examined entrepreneurship and innovation, Gifford Pinchot III explored the concept of intrapreneurship, and many others have made significant contributions to these fields of management study. However, this research study focuses on the identification and analysis of the entrepreneurial management process and its applicability as a practical solution to the problems resulting from growth and maturity of an entrepreneurial small business. The entrepreneurial management process is one which focuses on managing an organization to develop and capitalize on its entrepreneurial characteristics. It is examined in the context of the development of an entrepreneurial culture, employee empowerment, entrepreneurial teamwork, strategic planning, new ventures, and compensation. It is a niche that has not been emphasized in previous research and has only been indirectly investigated.

**Research Methodology**

Naturalistic inquiry as described by Yvonna S. Lincoln and Egon G. Guba in their book *Naturalistic Inquiry* and the case study methodology as described by Robert K. Yin in his book *Case Study Research: Design and Methods* constitute the research philosophy and strategy used in this study. The case study is the primary source for data analysis.
Process of Inquiry

A single entrepreneurial small business served as the subject of this study. The subject is a regional dealer of business equipment and services that has previously, and is currently, experiencing changes and problems as the result of growth and maturity. Various aspects of the entrepreneurial management process are also evident within the organization.

Access to information about the subject for the case study was facilitated by the Author’s relationship with the Company President and associates within the organization. Access to the Company President and associates for personal interviews and surveys, as well as secondary data such as financial statements, the company’s history, and sales and personnel information, was easily obtainable throughout the research process.

The research process consisted of structured interviews with the Company President and an interview survey completed by the Company President and numerous key associates within the organization. Both were developed from an analysis of the related literature, but the respondents were not constrained to the resulting questions. The interview processes were designed to encourage the necessary issues to be addressed by the respondents. In addition, more rigidly-structured surveys were also conducted to discover very specific information within the company. The examination of financial and historical company data was also used as a source for the case study. As is consistent with Lincoln and Guba’s naturalistic inquiry philosophy, the research design emerged and was revised as the process of inquiry progressed.

Data Analysis

The data analysis for this research was based in the constant comparative method as a means of content analysis. It involves categorically coding, simultaneously comparing the data collected, and sorting accordingly. In this manner, data relationships and hypotheses are developed from the data collection and analysis. It is the intent of the data analysis to contribute to theory by recognizing the site data, emergent patterns, and working hypotheses in relation to current literature.
Conclusion

The literature examined addresses various entrepreneurial and intrapreneurial issues and offers that these strategies are effective methods of competing and surviving in an increasingly competitive market. This research study focuses on the niche of identifying and analyzing the entrepreneurial management process in a single case study and examining its applicability as a practical solution to the problems resulting from the growth and maturity of an entrepreneurial small business. This research is beneficial to entrepreneurial small businesses experiencing growth in today’s competitive business environment. The research process followed the approach of naturalistic inquiry as described by Lincoln and Guba, data collection reflected this approach, and the case study method was used to develop the primary data source for analysis.
CHAPTER 2 REVIEW OF RELATED LITERATURE

Introduction

Entrepreneurship and intrapreneurship have become the buzz words of academic and business management circles in the 1980's and 1990's. Peter Drucker, author of Innovation and Entrepreneurship, and Gifford Pinchot III, author of Intrapreneuring, among many others, have revolutionized American business management practices and principles as well as influenced current economic thought. Whether it be from social and economic factors or academic influence, entrepreneurship and intrapreneurship are becoming business strategies for the future. However, the majority of related research and existing literature focuses on either the entrepreneurial aspects of starting a new venture or the intrapreneurial activities of larger corporations. The literature review is an attempt to examine the process of entrepreneurial management in the context of the specific problems faced by entrepreneurial small businesses as they grow and mature.

The review of related literature developed in this chapter serves as the groundwork for this study. It includes an overview of the concepts of entrepreneurship and intrapreneurship as well as a review of the growth phases and associated problems faced by entrepreneurial small businesses. Entrepreneurial management is examined as a process which focuses on managing an organization to develop and capitalize on its entrepreneurial characteristics. It is then examined, specifically in the context of the development of an entrepreneurial culture, employee empowerment, entrepreneurial teamwork, strategic planning, new ventures, and compensation. This study focuses on a niche not emphasized in previous research or literature. The goal of this research study is to identify the various aspects of the entrepreneurial management process in a single case study and examine its applicability as a practical solution to the problems resulting from the growth and maturity of an entrepreneurial small business.
Entrepreneurship

By examining the concept of entrepreneurship and the characteristics of an entrepreneur, a better understanding of their role in the entrepreneurial management process will be achieved. As Donald Taffi accurately put it in The Entrepreneur: A Corporate Strategy for the '80s, "the composite picture of an entrepreneur (and the special role he or she can play in corporate strategy) forms the foundation for constructive involvement" (8).

The word "entrepreneur" comes from the French word *entreprendre* which means *to undertake*. In basic terms, entrepreneurs can be described as "anyone who takes the risk to develop and implement an enterprise..." (Burch, 15). Today, entrepreneurs are people who undertake a venture, organize it, raise capital to finance it, and assume all or a large proportion of the risk associated with the venture. According to Robert Hisrich and Michael Peters, authors of Entrepreneurship, "entrepreneurship is the process of creating something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction" (10). In essence, entrepreneurs serve as the main change agents in economic growth. They are sources of innovation and creativity that see opportunities when others do not. Typically, the entrepreneur is seen as an individual who owns and operates a small business, but this does not make a person an entrepreneur. As founders of the majority of start-up businesses, entrepreneurs are also people who take the risks to own and manage their own firms as second generation members of family-owned businesses or owner-managers who buy out the founders of existing firms.

Individuals are pulled toward entrepreneurship by the powerful incentives of profit, independence, and a satisfying lifestyle. They have the freedom from the limits of standardized pay for standardized work, the freedom from supervision and rules of a bureaucratic organization, and the freedom from routine, boring, and unchallenging jobs. The motivation behind most entrepreneurs is often that they just do not like working for someone else. They have problems following someone else's direction, seek independence, and do not perform well in bureaucratic organizations.

Innovation, the tool of the entrepreneur, is a major factor in meeting society's changing needs. Entrepreneurs look for something unique to fill a niche, and although most are not inventors, they can see economic value in an invention. Very often their innovations
are not earth shaking but simple adjustments in a process or product that make the difference. Entrepreneurs accomplish their creative tasks in varied and unpredictable ways. Some have great ideas and pursue them in adverse situations while others are effective imitators who adapt ideas to a new setting. Still others identify creative ways to fill market opportunities. Peter Drucker calls these three approaches to innovation: "being the first with the most, creative imitation, and entrepreneurial judo" ("Entrepreneurial Strategies," 9-15). In his article "Profiling the Entrepreneur," John Burch also outlines six classifications of innovation. They are:

- The introduction of new products or services that improves the quality or reduces the price of an existing product or service.
- The implementation of systems or resources that differentiate an existing product or service.
- The introduction of a new system that improves productivity and decision making.
- The opening of a new market, particularly an export market in a new territory.
- The conquest of a new source or supply of raw materials, partially manufactured products, and alternative materials or technologies.
- The creation of a new organization. (14).

Many entrepreneurs have founded firms or developed innovations that have grown into very successful businesses. The following are well known, successful entrepreneurs:

- Edson de Castro who founded Data General
- An Wang who founded Wang Laboratories
- Steven Jobs who co-founded Apple Computer
- L. J. Sevin who founded Compaq Computers
- Ted Turner who founded Turner Broadcasting Systems
- Samuel Walton who founded Wal-Mart
- Fred Smith who founded Federal Express
- William P. Gates III who co-founded Microsoft
- Mitchell D. Kapor who founded Lotus Development Corporation

According to Burch, these people have characteristics that are common to all entrepreneurs: they create change; they provide a variety of job opportunities; they serve as role models to inspire new generations of entrepreneurs; and they reap huge rewards for their efforts ("Profiling the Entrepreneur", 13).
Entrepreneurs have weaknesses and vulnerabilities as well as strengths, which if properly employed, can be of extreme value. John A. Welsh describes the entrepreneur in his paper "Investing in the Entrepreneur" as a "unique personality, separate and apart from most of our acquaintances, with an unusually well-developed ego, believing in his ability to accomplish what he sets out to do". Overall, "an entrepreneur ... is characterized principally by innovative behavior and the use of strategic management practices" (Balkin, 18). They have a high need for achievement, are willing to take risks, and are self-confident. Entrepreneurs have an optimism that is frequently disarming and creates apprehension, and often they are detail oriented and perfectionists. Although they seldom develop personally vulnerable openness or intimacy in their relationships, they are very open and solution oriented. Entrepreneurs also seem to be endowed with an inexhaustible reservoir of energy which is often devastating to those who become part of the entrepreneurial team. For an entrepreneur, "nothing is done soon enough and everything is a crisis" (Taffi, 24).

Entrepreneurs tend to be contingency planners (survival oriented) and usually are six months or more ahead in their thinking than their subordinates. However, they always maintain options, move left or right at a moment's notice, and reverse themselves frequently. Even though they seek the advice of subordinates and those outside their business influence, "in the final analysis, however, they are unwilling to surrender the need for complete control of the working environment, or at least over that which they can exercise control" (Taffi, 24). They select people for staff positions based on first hand experience and direct observation that these people get things done. Entrepreneurs are also very demanding of subordinates and even more of their requirement for tolerance by superiors.

To some extent entrepreneurs are also a product of genetics, family influences, peer pressure, cultural conditions, the education systems, religion, and the strength of their work ethic. They can be extroverted or introverted and can come from poor or comfortable family environments. The typical entrepreneur is above average in intelligence, tends to see the big picture of situations, and is able to conceptualize a task or problem quickly, frequently arriving at a solution well in advance of others. They deal with the world as it exists, are pragmatic, and within the given environment, strategize and get things done that benefit the purpose of the enterprise. Entrepreneurs are calculated risk takers, not gamblers, and they only take risks which have a high probability of achieving a set goal. They also have a higher than normal threshold of emotional stability which minimizes its impact on their
efforts. Additionally, the entrepreneur is typically the first born child, male, and begins his first company between the ages of 30-35. His or her entrepreneurial tendencies began at an early age, and he or she is well educated, often possessing at least a bachelor’s degree if not more. Entrepreneurs spend a lot of time asking "what if?" or "why not?" and go for it when they recognize an opportunity.

According to Norman R. Smith, a small business entrepreneur starts as a "craftsman entrepreneur," and as the business matures, he or she needs to become an "opportunistic entrepreneur" (Broom, 20-21). A craftsman entrepreneur is characterized by his or her approach to the business decision making process. It includes the following features:

- They are paternalistic meaning they direct the business much as they might direct their family.
- They are reluctant to delegate authority.
- They use only one or two capital resources for the firm.
- They define marketing strategy in terms of the traditional price, quality, and company reputation.
- Their sales are primarily personal.
- Their time orientation is short, with little planning for future growth of change. (Broom, 20-21).

The opportunistic entrepreneur however avoids paternalism, delegates authority as necessary for growth, employs various marketing strategies and types of sales efforts, obtains capitalization from more than one or two sources, and strategically plans for future growth.

In Herbert E. Kierulfi’s article "Finding and Keeping Corporate Entrepreneurs," it is also noted that most entrepreneurs have a set of common characteristics. They have a strong desire to succeed, enthusiasm about the product and business, perseverance, creativity, and competitiveness. However, their weaknesses that hamper their success include the inability to work well with others, unwillingness to communicate freely, disruptiveness, inability to delegate, and obstinacy. Very often they are sources of frustration for their subordinates. These factors make it difficult to work with an entrepreneur, especially for those seeking structure, security, and predictability. "Unfortunately, these very characteristics, as painful and difficult as they are for others to deal with, are the very basis for entrepreneurial success" (Taffi, 24). James D. Powell and Charles F. Bimmerle in a paper entitled "A Model of Entrepreneurship: Moving Toward Precision and Complexity" describes the entrepreneurial
personality as having innate traits such as the need for achievement, high motivation, and willingness to take risks. Entrepreneurs also possess characteristics such as personal fitness, high energy level, alertness, ability to endure stress, analytical ability, a history of personal hardship, and experience in leadership. Another study by M. Kets DeVries entitled "The Entrepreneurial Personality -- A Person at the Crossroads," explains that entrepreneurs are often anxious and uncomfortable with authority figures. They react by becoming rebellious and nonconforming, act impulsively, and feel dissatisfied and rejected.

What makes an entrepreneur tick? Taffi believes that "fundamental to the ability to recognize and identify entrepreneurs is the ability to ascertain from whence he or she is coming. That is, what are the motives and the seeds or the basis for the drive for success? The secret of the entrepreneur is truly locked up in this motivation or perhaps, more accurately, in what is behind it" (Taffi, 27). According to Taffi, there are several factors that stand out as seeds for entrepreneurial drive, seeds which indicate the willingness to make the necessary personal investment. They are:

- The need for achievement.
- The need for recognition.
- The need to avoid control by others.
- The need for change.
- The need for tangible and meaningful rewards.
- The need to satisfy built-in expectations that are generally insatiable. (28).

In addition, Burch cited nine major factors which motivate the entrepreneur. They are:

- A desire to achieve. Entrepreneurs strive to conquer problems or start new ventures.
- Hard work. Entrepreneurs are often workaholics.
- Nurturing quality. They like to take charge and watch over a venture until it can stand alone.
- Acceptance of responsibility. Entrepreneurs accept full responsibility for their ventures and are morally, legally, and mentally accountable.
- Reward orientation. They want to be rewarded handsomely for their efforts both financially and with recognition or respect.
- Optimism. They live by the philosophy that it is the best of times and anything is possible.
• *Orientation to excellence*. Entrepreneurs want to achieve something outstanding and first class.

• *Organization*. They are very good at bringing together the components of a venture to make it achieve its goals and often are people who take charge.

• *Profit orientation*. For most entrepreneurs, making money takes a back seat to the desire to achieve and their nurturing quality. They want to make a profit, but money just serves as a meter to measure their degree of achievement and performance. ("Profiling the Entrepreneur", 14-15).

However, motivation behind a person is often the most difficult component to discover. It is an individual thing that can only be measured by the investment that people are willing to make in achieving their goals. Entrepreneurs must perform within and be motivated by the same conditions in which entrepreneurship is embedded.

This entrepreneurial portrait shows their inherent compulsions, unpredictability, perfectionism, and distaste for formal control. Even with this set of common characteristics, entrepreneurs vary greatly. Although these numerous characteristics of the entrepreneur can be identified and supported by considerable research and analysis, there still is no universal pattern of formula that totally define the entrepreneur. Taffi argues that "it takes an entrepreneur to know an entrepreneur. In other words, the identification of the entrepreneur is measurably enhanced by individuals who themselves can be described as entrepreneurs -- that is, whose professional and personal success depends on their ability to identify and share the risks of the entrepreneur" (Taffi, 28).

However, no matter what set of traits characterize an entrepreneur, Hisrich points out that effective entrepreneurs follow an entrepreneurial process that has four distinct phases:

• Identifying and evaluating the opportunity
• Developing the business plan
• Determining the resources required
• Managing the resulting enterprise created. (Hisrich, 30-33).

Identifying and evaluating the opportunity is the most critical element in the entrepreneurial process because it allows the entrepreneur to determine if the new venture or innovation has the returns needed for the resources required. This evaluation process involves examining the creation and length of the opportunity, its real and perceived value, the risk and return, its fit with the personal goals and skills of the entrepreneur, and its differential
advantage in the competitive environment. In order to effectively exploit the entrepreneurial opportunity, a good business plan must be developed. This is the most difficult phase of the entrepreneurial process for the entrepreneur because of his or her very entrepreneurial nature and probable lack of experience and resources necessary to prepare a business plan. The entrepreneur must understand the basic issues involved in developing a business plan, including the characteristics and size of the market segment, the market plan, the production requirements, the financial plan and requirements, the organizational plan, and its market position and strategy for entry. It is essential in developing the opportunity, determining the resources required, and then managing the resulting venture. Determining the resources required is the third step of the entrepreneurial process. It includes assessing the existing resources available, the resource gaps and available supplies, and the accessibility of needed resources. Finally, after the resources are acquired, the entrepreneur must implement their use through the business plan and manage the resulting enterprise. This includes implementing a management style and structure for the new venture, determining the key variables for success, identifying problems and potential problems, as well as implementing control systems in the new venture (Hisrich, 30-33).

Intrapreneurship

It is also important to examine the concept of intrapreneurship to better understand its role in the entrepreneurial management process. Intrapreneurship has become an important concept for larger corporations trying to recapture the entrepreneurial spirit as a result of current social and business pressures both outside and inside existing corporate structures.

According to Gifford Pinchot III, the author who coined the term intrapreneur, an intrapreneur is "any of the 'dreamers who do!' Those who take hands-on responsibility for creating innovations of any kind within an organization. The intrapreneur may be the creator or inventor but is always the dreamer who figures out how to turn an idea into a profitable reality" (Duncan, 17). Whereas entrepreneurs work for themselves and individually assume the risks of the business, intrapreneurs use the entrepreneurial process within the corporation to tap into its resources. In essence, intrapreneurship is encouraging entrepreneurial behavior within the corporation to increase innovation and boost productivity, create new processes and
systems, and develop new products. Art Fry, the well know intrapreneur and inventor of 3M's Post-it Notes, believes that "almost by definition, an intrapreneur is someone who doesn't have all of the skills to do the things that need to be done. Therefore, he has to work within the organization, making use of its skills and attributes" ("Lessons...", 22). According to a study conducted by Control Data, a Minneapolis based electronics company, successful intrapreneurs and entrepreneurs have similar characteristics: they are highly creative, achievement oriented, risk takers. The Control Data report also revealed that although entrepreneurs are generally "rebelling" by nature, intrapreneurs tend to be "master gamesmen who 'work the system' with both panache and finesse" (Robinson, 198). They combine a keen imagination with hard, persistent work, but "the successful 'intraprise' is somehow greater than the sum of those two character traits; there is a unique internal logic at work that reduces the odds on the risk that must be taken" (Robinson, 202). This basically comes down to the fact that the successful intrapreneur is trusted by the company and trusts himself or herself.

There are numerous reasons for an increased interest in intrapreneurship. Socially, there is the increased interest in "doing your own thing" and discontent with existing organizational structures. There is a distrust of traditional corporate management, and many existing corporations are losing their best and brightest to entrepreneurial ventures. Increased competition in the U.S. and abroad as well as the emergence of new, sophisticated rivals for existing firms, has also forced companies to increase interest in new product development, internal innovation, diversification, and increased productivity. In addition, Drucker, as well as John Nasbitt and Patricia Aburdene, authors of the book Re-inventing the Corporation, agree that corporations have entered a new era that requires nothing less than a re-invention of the corporation as they face the reality of an informational rather than industrial society where the critical resource is no longer capital. Nasbitt and Aburdene state that "in the new information society, human capital has replaced the dollar capital as a strategic resource. People and profits are inexorably linked" (Nasbitt, 4). It is the human element, the only source of creativity and innovation, that is essential for success. Intrapreneurs, or those in intrapreneurial roles, are now a necessary corporate resource in an informational society. Weston H. Agor elaborates on the importance of human capital by emphasizing that intrapreneurs, or "those who use an intuitive approach to management," effectively increase productivity in an organization (12).
In addition, intrapreneurship is attractive to corporations as a means to increase its innovation processes that are vital to long-term survival and growth. Lawrence Finley, author of *Entrepreneurial Strategies*, points out that intrapreneurs are important because their activities can potentially provide for a significant percentage of a company’s business (25% at 3M and 22% at Johnson & Johnson). Elvin Montgomery, a consulting manager with Arthur Young who helps companies develop intrapreneurial environments, says that the creation of "internal entrepreneurs" is needed to gain access to new markets since the acquisition of another entity often is filled with management problems. "More companies will have to start to generate growth from within. Also, it is much more cost efficient to try a $20,000 idea internally than to buy a $50 million company" (Robinson, 198).

Because of these factors, companies are beginning to evaluate corporate and entrepreneurial climates in order to develop the most effective business environment. However, Pinchot sees that the problem with some companies is "they haven’t been able to get the internal development process going. They say ‘DO’ and nothing happens. They have not empowered the internal entrepreneur to do the things they want to get done" ("Here Comes...", 188). Peter Drucker, in his provocative book *Innovation and Entrepreneurship*, states that companies need an entrepreneurial spirit to survive. He believes that while luck and inspiration may come into play, entrepreneurship is mainly a matter of discipline and management within an organization. *Innovation..., 17.* Corporate executives are becoming aware of their own organizations and realizing how important it is to keep or instill the entrepreneurial spirit in order to innovate and grow. The challenge facing companies searching for new ways to increase productivity is to locate existing entrepreneurial talent, or intrapreneurs, and nurture a management climate that is necessary for intrapreneurs to flourish. Companies need to find and recruit those that have a proven track record of innovation and creativity, such as someone who has started their own business. These people with an entrepreneur’s vision and tenacity are becoming more popular and valuable in today’s corporate climate. "To remain competitive (with Japan/abroad/home) in the race for new ideas, many companies are turning to the *entrepreneurial process*, creating intrapreneurs (intracorporate entrepreneurs). This alternative approach provides new options for those employees caught between the need for job security and creative autonomy" (Robinson, 198).

3M is known for its successful institutionalization of intrapreneurship. The company has a policy that allows scientists to spend up to 15% of their time on personal projects and
has developed three modes of management which are focused around supporting internal innovation. First, the company has developed environments for people who can manage innovation and creative functions that allow new long range projects to be developed. Second, there are technical people who are good at the building phase of an innovation and developing the business. The third phase is the highly competitive mature phase when operations need to become efficient. Art Fry, inventor of 3M's Post-it Notes, points out that 3M is "extremely careful to develop a remarkable habitat for its creative people" ("Lessons...", 21). Divisions run as separate companies with very flat structures, and employees feel responsible and empowered by the situation. Internal innovation, the realm of the intrapreneur, is a distinct advantage when developing a new idea or product. According to Art Fry, "developing it on the inside means that 80% of what is needed is already there -- in systems, equipment, people. The 20% that doesn't fit requires changes in our technology, in manufacturing, and in how we market it. It's a matter of convincing people that the product is needed in the first place. In any organization, you can get the money and the teams of people, but you need the right people. One person can't do it all" ("Lessons...", 22).

Companies are beginning to institute intrapreneurship as a business strategy to attract creative people to an organization and to retain intrapreneurs that are already within their organizations. They are beginning to allow their people some freedom, especially since intrapreneurs are a different sort of breed. According to Fry, "you have to first hire them and then provide sanctuary and budgets for them. You've got to expose your business to them and allow them to look not only at the established directions but in other directions as well" ("Lessons...", 23). Pinchot says that the intrapreneur "must be capable of envisioning something that doesn't exist and then making it actually happen, despite all kinds of internal and external resistances" (Robinson, 198). These resistances are inevitable among the corporate politics of the status quo. As a result, he believes that it is almost impossible for an intrapreneur to be successful without a sympathetic executive, or sponsor that will support the individuals and his or her ideas. In addition, "intrapreneurial models are structured differently form corporation to corporation -- some create new entities or independent subsidiaries while others give employees a budget and let them run free with a project" (Robinson, 198). A company that wants to encourage entrepreneurial behavior should first examine the potential for a common purpose and see if the venture is valued by key players in
other areas. For intrapreneurial success, the firm must be willing to guarantee that it shares a common purpose with the new venture. It is also important to note that the level of commitment to a project depends as much on the company or industry as it does on the individual. In recent years, most intrapreneurs have developed in the high-technology sectors of industry where companies need innovative products to keep pace with an ever-changing competitive environment.

Intrapreneurs do have problems though and very often new ventures within a corporation perform worse than those started independently by entrepreneurs. Antony Jay, in his 1967 book Management and Machavelli, captured the paradox that organizations need managers that are yogis -- people who are good with ideas, vision, insight, and develop ideas for the future -- and commissars -- people who have some vision but set goals, make plans, and get the job done. There is seldom an abundance of both in a single person. "This dichotomy is perhaps one of the major factors in the current popularity of intrapreneurship. The idea of intrapreneurs promises to rescue us from the paradox of order and innovation that confuses and confounds our conventional wisdom about management and organizations" (Duncan, 17). However, according to the article "Intrapreneurship and the Re-invention of the Corporation," "the intrapreneur -- that unique individual who is both yogi and commissar, the 'dreamer who does' -- is the latest figment of the business journalist's imagination" (Duncan, 17). The idea of the intrapreneur runs counter to prevailing corporate philosophies and practices, and that kind of person is as rare as those willing to nurture them in a corporate environment. The resources within corporations are available, but the climate and culture are sadly lacking. For an intrapreneur to exist, today's corporations must be genuinely reinvented.

"Companies may need intrapreneurship in their organizations, but they aren't set up to nurture and reward it" (Duncan, 16). Overall, they face two major problems when trying to encourage and nurture intrapreneurs. First, few organizations are committed to attracting, hiring, and developing the creative talent they will need for the future. Creative people are disruptive of corporate order, are experimental, and require flexibility. "The yogi never gets a chance because the commissars are in control" (Duncan, 18). This is a strategic problem for corporations who are often reluctant, afraid, and unwilling to make a strategic commitment to building and developing creativity among people. Secondly, most corporations choose short-run prosperity over long-run needs. As the world changes from an
industrial to informational society, corporations will have serious difficulties keeping intrapreneurs and effectively motivating them because most top executives are still unwilling to invest the company's capital and future on unpredictable innovations. Today's companies only attract capital for new ventures that turn a good short-term profit and are usually the result of efficient operations, not adaptability and lasting innovations. However, intrapreneurial ventures require the support of top management and the company's financial backing. Without it, they will not be successful. This results in the tactical problem that very few corporations have any concept of how to compensate creative employees and is a major barrier to intrapreneurship in modern corporations. Even at IBM, which is known for building the entrepreneurial spirit, there are those who worry that encouraging too much creativity will only result in higher turnover of critically valuable personnel. For these reasons, creative people decide that corporations are not the place to be creative and begin their own entrepreneurial businesses (Rodgers). The lack of success among intrapreneurial activities can also be attributed to the corporation's lack of long-term commitment, the venture's lack of autonomy in decisions, and a constrained environment.

As a current management fad, intrapreneurship appears to be a solution to important problems and is consistent with what companies would like to see exist. But without close, critical, and objective examination of the intrapreneurial concept, little will become of it. Intrapreneurship is a noble idea that is essential for future corporations, but its an ideas whose time has not come. "Intrapreneuring simply will not work without radical changes in the thinking of today's stockholders and the professional managers who are responsible for representing their interests" (Duncan, 16). Within an organization, efficiency and adaptability equal innovation. "To survive, firms must innovate, generate more and better information, and put it to work. Few firms are ready and equipped to meet the challenge" (Duncan, 16-17).

Dick Cawley, President of the consulting firm Ram Hill Group, believes intrapreneurs must face the fact that there are three major issues working against their new ideas:

• Their ideas consume capital.
• Their ideas overthrow entrenched technology.
• Their ideas often destroy people's careers. (Fisher, 189).

Given this reality, intrapreneurs need to attract sponsors who believes in them and their ideas to be their "front" and support them within the corporation. Whereas entrepreneurs have to
win over venture capitalists, "an intrapreneur has to demonstrate, among other things, that his project will fit within corporate strategy" (Fisher, 189). It is also important for intrapreneurs to have a perspective of their project and to understand the ultimate purpose of their specific discipline within the company. It helps if they see the big picture of the expected results and implications of the project across functional areas within the company. According to Don Gamache, president of the consulting firm Innotech which specializes in helping corporations identify new products, services, and markets, "there are only a few rules in managing new ventures, inside or outside a company: pick the right people, give them broad stroke performance goals, and leave them alone" (Fisher, 189). Pinchot also says "most intrapreneurs have difficulty dealing with authority; that's why they wanted their own project in the first place. The supervisor should think of himself more as a mentor, less a boss. He should also set out specific conditions under which to take control of the project. In that way his ultimate power over the project is retained, but he won't invoke it unless it's absolutely necessary" (Fisher, 189).

A well-developed business plan helps establish a basis of trust between the intrapreneur and his or her sponsor and company executives. "Business plans are as crucial as sponsors for a successful 'intraprise' because they provide the company and the employee an opportunity to size up each other. A plan helps determine if an intrapreneur has a sufficient grasp of a proposed project to justify an investment. On the other hand, management's reaction to a plan may indicate whether it is capable of trusting an employee with freedom and responsibility" (Robinson, 199-200). Compensation, financial control, authority, and responsibility should also be outlined in an intrapreneurial business plan. Robinson proposes that the plan outline a compensation based on meeting a certain profit margin and a certain allocation of overhead. Anything over that profit margin is paid to the intrapreneur as stock options, bonuses and other compensations.

Intrapreneurship is also spurring interest in educators. For example, Pinchot founded the School for Intrapreneurs that operates in conjunction with the School for Entrepreneurs in Tarrytown, New Jersey. In addition, William McCrea, the Chairman of the International Center for Entrepreneurs in Indianapolis, Indiana, is operating two week teleconference training sessions for CEO's using nationally known entrepreneurs so that they can grasp the strategic and tactical planning concepts necessary for entrepreneurial growth within their companies. However, implementing innovative answers and intrapreneurship is usually a
great deal more difficult than expected. Peters adds "innovation and product development come from the most delicate spiderweb-like set of forces I have ever seen. The awesomeness of figuring out how it works is marked by the fact that the people who are best at it are hopelessly inarticulate about what it is that they do" ("Here Comes...", 189).

Entrepreneurial Small Business

The functions of an entrepreneur and management change in a entrepreneurial small business as it grows into a well-established firm. As stated in New Venture Creation: Entrepreneurship in the 1990's, "there are convergent pressures on being an entrepreneur and being a manager as a venture accelerates and grows beyond founder-driven and founder-dominated survival" (Timmons, 181). Typically, the entrepreneur becomes less an innovator and more an administrator; however, he or she can still be considered an entrepreneur.

There is a belief that a good entrepreneur is usually not a good manager. Very often entrepreneurs who bring a new venture from start-up stages to a multimillion dollar sales level are thought to be different from the kind of person who has the capacity to manage the new firm as it grows from $5 million to $20 or $30 million in sales. "Further, it has also long been thought that the entrepreneur who clings to the lead role too long during the maturation process will subsequently limit company growth, if not seriously retard it" (Timmons, 181). For example, Wally Amos, founder of Famous Amos Chocolate Chip Cookie Company was very good at identifying and exploiting untapped opportunities, but he was a poor manager of his company as it grew, and eventually he was forced to sell his equity to a venture capital firm. For entrepreneurs the hard part comes when their dreams become reality, and they find themselves trying to control the growth and overcome the challenges of an emerging enterprise. While some have both entrepreneurial and managerial qualities, most good entrepreneurs hire a professional manager when they get in over their heads. It is not that entrepreneurs do not have the aptitude for people management, marketing, or finance, but that they do not like the business end because it redirects the focus away from what they do best -- creating and developing new ideas or products. According to Barbara Solomon, dean of Graduate Studies at the University of Southern California, starting a business and managing a growing enterprise require different kinds of thinking. "Effective managers are sensitive to
the goals and ambitions of others working for them. They know how to motivate and organize and have others 'bust their butts' for them. It is obviously necessary for a manager to have an outstanding understanding of human behavior. The entrepreneur usually does not have excellent interpersonal skills. The competitive nature of an entrepreneur is counter productive for a manager" (Bachemin, 56).

However, there is increasing evidence to suggest that entrepreneurial ventures that flourish beyond start-up and grow to become substantial, successful enterprises can be headed by entrepreneurs who are also effective managers. For instance, "a 1983 survey by INC. magazine of the heads of the top 100 new ventures showed that the majority of these companies had founders who were still chief executive officers after several years and after their companies had attained sales of at least $10 million (and some as much as $50 million or more)" (Timmons, 182). This defies the conception that entrepreneurs cannot effectively manage companies; however, it is apparent that as a venture grows, increased management skills are required within the organization.

As entrepreneurial, higher potential, growth minded ventures mature and attempt to retain their entrepreneurial characteristics of change and uncertainty, the principle driving forces behind the ventures begin to change. As a start-up firm, a venture is driven by the founder's goals and values, focuses on opportunities, emphasizes controlling and working with minimal resources, and has a flat, adaptive organizational structure. For a company to retain its entrepreneurial qualities as it matures and grows larger, it's driving forces change to focus on the rejuvenators and innovators within the company and emphasize resource ownership among employees. Opportunities are still the focus of the company although its organizational structure becomes more formal to meet the needs of a larger company. (See Appendix 2.1).  

Entrepreneurship is not static at any stage of a company's growth. The growth curve showing the stages of venture growth as indicated in Appendix 2.2 represents a theoretical view of the process of gestation and growth of new ventures and the transitions that occur at different boundaries in this process. It is important to remember however, that this smooth, S-shaped growth curve is rarely, if ever the case in the real world. This growth curve shows an entrepreneurial venture's growth stages in terms of time, sales, and number of employees. It is at the boundaries between these stages that entrepreneurial ventures seem to experience transitions and changes in key management tasks of the chief executive officers or founders.
"Most important and most challenging for the founding entrepreneur, or chief executive officer, is coping with crucial transitions and the change in management tasks, from doing to managing to managing managers, as a firm grows to roughly 20 employees, to 50 to 75 employees, and then over 75" (Timmons, 184).

There are four basic stages of a small business management's functional growth: the one-person operation, player-coach, immediate supervision, and formal organization. Appendix 2.3 shows the changes in management's functions in relation to the stages of the company's growth. In the first and second stages the entrepreneur is extensively involved in the operations of the business and directly coordinates the efforts of others. The third stage, when an intermediate level of supervision is reached, is a major turning point in the entrepreneur's focus of responsibility. It is a difficult and dangerous point for a small business because the entrepreneur must rise above direct, hands-on management and work through an intermediate level of management. The fourth stage involves more than increased size and multiple layers of a formal organization. It involves an increased focus on the company's mission and goals, increased use of strategic planning, the adoption of written policies, preparation of plans and budgets, standardization of personnel practices, preparation of organization charts and job descriptions, specialized training, implementation of controls and many others. The different stages of management's functional growth within a company do not necessarily progress in the same order or speed as the company's growth; however, this is a typical pattern of development for successful firms. While flexibility and informality may be functional during the early stages of development, growth necessitates greater formality in planning and control. It can be very difficult as the company progresses to preserve the entrepreneurial culture and practices that made the company successful while introducing professional management practices.

These basic stages of management's functional growth roughly correspond with the financial and organizational growth stages of an entrepreneurial small business. The start-up stage usually covers the first two to three years and sometimes as many as seven. It is the most perilous stage and is characterized by the direct drive, energy, and entrepreneurial talent of the lead entrepreneur and a team of one or two key members. It is at this point that "the critical mass of people, market and financial results, and competitive resiliency are established, and investor, banker, and customer confidence is established" (Timmons, 184). Sales levels vary widely but typically range between $2 million and $20 million. It is at this
point that a company reaches its high-growth stage if successful, although it is usually only identified after the fact. The length of time it takes to go through the high-growth stage and the magnitude of the change occurring also varies greatly. "Probably the most difficult challenge for the founding entrepreneur occurs during the high-growth stage, when he or she finds it is necessary to let go of power and control (through veto) over key decisions that he or she has always had, and when key responsibilities need to be delegated without abdicating ultimate leadership and responsibility for results" (Timmons, 184-185). A company then moves from the high-growth stage to the maturity stage and on to the stability stage, both of which focus on steady, profitable growth and not the survival of the firm.

Entrepreneurial Culture

The key to the effective utilization of the entrepreneur, as is true with other human beings, is the creation of an environment that allows the individual to exploit personal strengths. Also, the ability to innovate has become strategically important in order for businesses to stay competitive. Established companies as well as small businesses can create a competitive advantage by cultivating intrapreneurial skills, creativity, and innovation in an entrepreneurial culture and environment in the years ahead.

The "corporate" culture or mentality inhibits the entrepreneurial process within a company. Taffi states that "culture implies values, such as aggressiveness, defensiveness, or nimbleness, that set a pattern for a company's activities, opinions, and actions. That pattern is instilled in employees by the managers' example and passed down to succeeding generations of workers. The CEO's words alone do not produce culture; rather, his actions and those of his managers do" (Taffi, 18). Often conformity within an organization is looked at in the same light. In order for an entrepreneur to manage for rapid growth, her or she must involve a management orientation not found in mature and stable environments. Results in an entrepreneurially managed growth firm require the collaborative efforts of the manager and subordinates and power and control are delegated. "Everyone is committed to making the pie larger, and power and influence are derived from achieving not only one's own goals but also from contributing to the achievement of others as well" (Timmons, 186).

According to Robinson, the ideal entrepreneurial organization is one that strives for a
balance between self-policing and self-motivation, for the two are related in almost a yin-yang sense. For example, General Mills focuses on developing the self-motivating systems and NCR focuses on developing self-policing systems. General Mills created an atmosphere (self-motivating) of near universal flexibility that is lively enough to excite creative employees. When employees plateau at work and are ready to leave, General Mills promotes them or finds a way to expand their job consciousness. NCR on the other hand, in order to respond quicker to changing market innovations, formed self-contained, self-autonomous business divisions and gave them the freedom to innovate and reject new products. "This system of checks and balances created intrapreneurial accountability" (self-policing) and held the divisions accountable for their profits or losses (Robinson, 201).

To develop successful innovation, a corporation should establish a conducive organizational procedure that differs greatly from the traditional corporate climate which is restrictive and does not support creativity, flexibility, independence, or risk-taking. Traditional managers tend to stick to more strictly established hierarchical structures, are less risk-oriented, and place greater emphasis on short-term results. "The guiding principles of an entrepreneurial climate are quite different: develop vision, goals, and action plans; be rewarded for actions taken; suggest, try, and experiment; create and develop regardless of the area; and take responsibility and ownership" (Hisrich, 511). In addition, for an entrepreneurial environment to be firmly established in an organization, certain factors and leadership characteristics need to be in place. They are:

- The organization operates on the frontiers of technology.
- New ideas are encouraged and supported.
- Experimentation and trial and error efforts are encouraged.
- Failures are allowed and even encouraged.
- There are no opportunity parameters that inhibit free creative problem solving.
- The resources of the firm are available and easily accessible.
- A multi-disciplinary, teamwork approach is encouraged.
- There is a long-time horizon for evaluating the success of the overall program.
- Intrapreneurial activities are on a volunteer basis.
- Intrapreneurs are appropriately rewarded for their efforts.
- Sponsors and champions support creative activity and flexible planning.
- Most importantly, intrapreneurial activity is supported by top management.
In order to establish an entrepreneurial environment in an organization, top management and middle management levels must be securely committed to its process. Brugelman states that if intrapreneurs are to develop in a corporate environment, several specific strategic moves must be made to develop that environment. They are:

- The CEO and other high level managers must make frequent public statements reinforcing the importance of innovation in the firm.
- When goal setting systems such as MBO’s are used, creativity and innovation must be given high priority for concrete and symbolic reasons.
- Reward systems must be designed to encourage innovation.
- Top management must recognize that creative people are driven as much or more by the ethic of creation as by the ethic of competition. (Duncan, 18).

Top management can hold seminars and training sessions to introduce the entrepreneurial concept throughout the organization and develop strategies to transform the organizational culture into an entrepreneurial one. General guidelines can also be established for intrapreneurial new venture development. Training of company leaders needs to focus on obtaining resources within the organization, identifying viable opportunities and their markets, and developing effective business plans. Top management should outline general areas that it would be willing to support along with the amount of risk money available to further develop the concept. Overall program expectations and target results for each venture should be established including time frame, volume and profitability, and impact on the organization. A sponsor or mentor program should also be developed to support intrapreneurs. Hisrich also suggests having top management train and share their experiences with other company members through informational training sessions. These activities as well as others that support the intrapreneurial concept will result in role models and intrapreneurial activities being established.

For example, 3M has always encouraged and supported intrapreneurs even though they are often considered burrs under the saddle of management. It sets aside budget money for research and development and encourages others to be product champions and intrapreneurs. With Post-it Notes there was a lot of support from top management, particularly from the Chairman of 3M at the time, Lew Lehr who was an excellent intrapreneur himself, could spot this trait in others, and provide encouragement. Top
management also helped smooth out some of the innovator's political problems and kept the project moving in the same direction.

It is also important to develop a structure which encourages entrepreneurial activities and supports the company's strategic focus. Very often organizational structures of an entrepreneurial small business evolve with little conscious planning as they mature. This natural evolution is not all bad because there is a strong element of practicality in the organizational arrangements. However, unplanned structures are seldom perfect, and growth typically creates a need for organizational change. As an entrepreneurial small business grows, the entrepreneur needs to examine the company's structural relationships and make adjustments as needed to effectively support its entrepreneurial culture and activities. It is important to develop a strong organizational structure which supports entrepreneurial activities within the company including flexible, innovative behavior, allowing intrapreneurs control within their ventures, tying the rewards to employee performance, and establishing an accurate and effective evaluation system within the company.

Additionally, a successful entrepreneurial environment fosters and develops these entrepreneurial characteristics among its individuals and teams. They are:

- Creativity and understanding of the internal and external environments.
- Visionary leadership and dreamers who creates results.
- Flexibility and the creation of different management options for the corporation.
- Multi-disciplinary teamwork in the venture.
- Open discussion and freedom of ideas to reach the best results.
- Support to motivate and encourage entrepreneurial teamwork.
- Persistence to overcome frustration and obstacles. (Hisrich, 515-517).

In a survey of 104 senior managers of Canadian companies, 70% indicated that they plan to increase efforts to encourage intrapreneurship in their companies over the next ten years. These top level managers believed that they must substantially improve their companies' intrapreneurial abilities to remain competitive. "Clearly, cultivating an innovative corporate environment is a strategic priority for many companies" (Rule, 44). These top-level managers indicated a large variety of approaches to foster intrapreneurism, but they isolated the following methods as being the most effective at contributing to intrapreneurship within their organizations:

- Innovation teams and task forces.
Recruitment of new staff to transfer new ideas to the organization.

Application of strategic planning focused on achieving innovation.

In-house research and development. (Rule, 44).

Additional methods of encouraging intrapreneurship taken from a survey of Canadian senior managers include:

- In-house market research
- In-house research and development
- Competitor tracking/assessment
- Market research using consultants
- Collaborative ventures with others
- Monitoring trade shows
- New product screening systems
- Customer focus groups
- Suggestion box systems
- Objective setting and performance standards for innovation
- Innovation teams / Task forces
- Dedicated new venture group
- Recruiting new staff to bring in innovative ideas
- Scenario planning
- Licensing-in of new technology
- Monitoring federal R&D activities
- Staff rotation program
- Liaison with university labs
- Strategic planning focused on innovation
- Technology forecasting
- Publication of innovations in the company
- Contracting for external R&D
- Training in creative thinking
- Acquire an entrepreneurial company
- Creativity / innovation workshops
- Bonus system linked to innovation
- Accessing external venture capital
- Training in entrepreneurship
- Management committee to screen innovations
- Internal venture capital fund
- Sabbatical programs
- In-house innovation fairs
- External inventor relations programs
According to the article "Fostering Intrapreneurship: The New Competitive Edge" by Erik Rule and Donald Irwin, senior management that wants to develop a more intrapreneurial culture within their company must focus on the following six key issues:

- **Generate new ideas.**

There is no shortage of innovative ideas in any organization, but to uncover them, senior managers must communicate the importance of innovation to all levels of the organization through a variety of channels. The top managers should invite ideas, establish a channel and method for submissions, and ensure that the whole organization is empowered to submit suggestions. For example, they may set up strategy circles with small groups of employees representing a cross section of the organization. Designed to identify innovative ideas to improve productivity, develop new products, or achieve a differentiated position through marketing and service, this is a valuable way to introduce change into an organization.

- **Screen new ideas to allocate resources.**

Companies need some form of structured approach to screen opportunities with substantial merit from the uncertain, unprofitable, and often ambiguous ideas that may be presented. Screening ensures that the best ideas are allocated sufficient resources and given a high enough priority to be successfully developed and implemented. Top managers might establish a permanent steering committee or cross functional teams that focus on the management of innovation and change. However, it is important to remember that because of the very nature of the innovation process, certain screening criteria, such as cost-benefit calculations or rate-of-return estimates, often result in the dismissal of promising new ideas. Instead, other criteria may be more useful, such as:

* The personal commitment and passion of the proponent. Often the energy, commitment, and drive of the intrapreneur is the key to a project’s success.

* Support among middle managers. Because middle managers run the organization, their judgements regarding new ideas are critically important.

* Support and commitment of a sponsor or mentor. Someone in senior management must be willing to provide support for a new idea or else the innovation will not be successful.

* A good fit with the corporate mission. New business ventures
should be fundamentally consistent with the company’s mission unless it’s looking for unrelated diversification. It should be compatible with the markets served and the range of products and services offered as well as supportive of the corporate values.

- **Support idea development.**

The generation and screening processes must be supported by real commitments of resources, time, and money for new idea exploration and development. When a firm makes an investment in exploring innovations and celebrates and rewards their successful achievement, new opportunities are strongly encouraged. Management must also recognize small accomplishments for they often significantly impact the company also. Intrapreneurs should also be allowed to decide what human resources are needed to explore an innovation -- these individuals know their strengths and weaknesses and therefore can best identify the needed resources. Most of all, management must ensure that involvement with an intrapreneurial team is voluntary. If it is not, the team will fail due to the lack of commitment from its members.

- **Encourage flexibility.**

Management should also allow the intrapreneurial team to define its resource requirements and time schedules while maintaining control over the total budget and the overall time frame. This approach provides for overall project control yet gives the innovation teams the freedom of financial control and the responsibility for evaluating the financial viability of the project. The innovation team should also be protected from the normal operations of the organization for without specific nurturing and protection, it will lose out to the demands of a firm’s core business in the competition for scarce management time. Setting the venture up as an autonomous and separate "skunk works" is an effective mechanism for protecting an innovation team.

- **Rewards and contributions.**

For intrapreneurs the most important reward is not monetary -- it is the freedom to solve problems or work on their own projects. Firms have created "intracapital" to reward and fund innovation by providing intrapreneurs with a timeless discretionary budget used to fund new enterprises and innovations. Traditional financial rewards such as bonuses, salary increases, and profit sharing in the venture are also valuable motivators. Financial reward
does help motivate intrapreneurs.

- **Provide leadership.**

Senior management must make a personal commitment to support innovation both in what they say and in what they do. They must understand and communicate that new solutions are required since companies are now operating in a new environment where change can be the key to success. As leaders, top management must be willing and confident enough to share power, because in the long-run, the future success of the company rests upon the new products and services yet to be developed. They should be willing to work alongside all of their associates and provide assistance in the innovation process. Overall, intrapreneurship is a process of problem solving and team work in organizations. By creating an environment that encourages integrative team building and collaborative problem-solving approaches, management is helping intrapreneurs learn valuable skills which can be applied to innovative projects. (Rule, 45-47).

A unique method of creating an entrepreneurial culture is described by H. Agor Weston. He suggests that a company can implement a Brain-Skill Management (BSM) program to increase innovation and intrapreneurial activity. The guiding principle behind this program is that intrapreneurship will be enhanced if an organization assigns tasks first and foremost according to brain-skills, not according to hierarchical status, responsibility for the problem at hand, or seniority level in the company. This helps break through traditional organizational obstacles to innovation such as "group-think" -- where the only options acceptable to the group are entertained in the decision making process -- and "analysis paralysis" -- where unnecessary delays in decision making occur because the group decides to gather more information even though it is not likely to improve the quality of the decision (Weston, 12).

The Department of Defense used the following BSM program with great success when trying to develop methods of instilling a sense of mission in a particular agency. It effectively tapped the minds and intrapreneurial potential of its employees. This BSM program was designed to increase management intrapreneurship. It consists of three components:

- **Diagnostic testing.**

This is done to locate highly creative and innovative executive talent and organize it within the company. For example, those who have a high intuitive score on the Meyers-Briggs Type Indicator tend to be more innovative in problem solving, insightful, and better at finding new
ways of doing things.

- **Custom placement.**

Placement is then based on matching the situation or job requirements with the assessments in order to advance intrapreneurialism and overall organizational productivity. This is done by segregating the decision making functions by brain-skills, therefore pooling creative and innovative talent for synergistic breakthroughs. They are pooled with similar people because they think comfortably together. For example, highly intuitive managers (intrapreneurs) often do not follow a sequential order of reason when making a decision; instead, they bounce from the front to the back of a problem in no apparent order. They prefer informal styles, settings, and work in bursts of energy followed by down periods. Idea generation is dampened when intuitive people are forced to work with thinking style, analytical people, especially at the beginning of the decision making process.

- **Training in overall brain-skill development.**

The final step is to establish systematic brain-skill development training so that intrapreneurial talents may be enhanced. For example, guided imagery, self-hypnosis, and journal keeping increase the lateral style of thinking that strengthens intuitive skills and decision making ability (Weston, 12-15).

**Employee Empowerment**

Employee empowerment is important to the entrepreneurial management process. By empowering employees, a company can tap a work force that adapts more quickly to change. Employees will find more satisfaction and enrichment in their work and this reduces turnover in an organization. Although many companies still struggle to achieve a constant state of employee empowerment, it is important because it makes them feel that they make a difference and that their ideas count. Often the area of employee empowerment is discussed intangibly by corporate leaders in relationship to the entrepreneurial process. However, Kieran Folliard and Teresa Fudenberg’s article "How to Inspire Your Employees’ Loyalty" indicates that "spreading commitment through the company requires you to know how your employees feel about their role in the business." tool" (Folliard and Fudenberg, 74). Much of employee empowerment is based on employee perceptions and attitudes of the culture in
which they work.

Many companies are increasing their efforts to strengthen their work force through empowerment and entrepreneurial activities. The subject of employee empowerment is categorized into four major areas:

- shared vision
- trust and loyalty
- communication
- performance and responsibility (Folliard, 74).

The following suggestions which require minimal resources help small to medium sized companies become more empowered:

- **Shared Vision.**
  
  * The mission statement is the most important vision tool of all for it conveys what is most important to the entrepreneurial company. It should be easily interpreted by employees in regards to important things that relate to their jobs.
  * Make the vision and mission statement visible to all employees from their first day on the job.
  * Reinforce how daily activities bring the company closer to these goals.
  * If the company doesn’t have a "statement," elicit employees to help form one.
  * In an empowered company, every person is ultimately and totally responsible for the accomplishment of the mission. Every job is as important as the job of CEO. Is this attitude visible in the organization?
  * To be empowered, every employee must be 100% committed to the purpose of the company.
  * Encourage employees to think about how their job functions to bring the company closer to its mission and even discuss this regularly in performance evaluations. Every employee should know and care why they are in their jobs and what differences they can make.
The entrepreneurial manager must also be aware of employees' personal goals.

**Trust and loyalty.**

* The first and foremost principle of empowerment is trust. Without it, empowerment will not take root in the company.
* With trust comes mutual respect. Employees need to take each other's positions and concerns seriously.
* Upper management must be prepared to loosen the reigns, give up tasks, and allow others the ability to make final decisions. Instead, they must fill the role of coach and leader, and not that of boss and judge. They must allow others to make mistakes and teach people how to learn from them. Also, the reinforcement of positive work must occur immediately.
* They must also know their employees' personalities, what inspires them or undermines them. It must be a teamwork attitude, not a we vs. they attitude.

**Performance and responsibilities.**

* The return on investment in people pays off, and a person can never invest too much time or money in hiring, retaining, and training employees.
* Use employees' creativity! Every company should tap this resource with suggestion boxes and brainstorming sessions.
* Encourage risk taking and initiatives. Do not make it safer to do nothing rather than risk doing something wrong.
* Evaluate the current incentive programs and consider alternative forms of rewards such as employee ownership in the company.

**Communication.**

* Communicate verbally and non-verbally trust, responsibility, teamwork, and creativity. Most importantly, be a role model for others to follow.
* Discuss the progress towards achieving the company's mission
and goals at company wide or divisional meetings on a regular basis. Do not mask the truth!

* Remember that change is inevitable. Talk about the decisions that are made, the thinking behind them, encourage feedback, and try avoid the rumor mill that may be in the company. (Folliard, 74-77).

**Entrepreneurial Teamwork**

Entrepreneurial teamwork is also a significant aspect of the entrepreneurial management process. In the article "Entrepreneurship Reconsidered: The Team as Hero," Robert Reich states that by continuing to believe in the traditional myth of the entrepreneurial hero, we are slowing the progress of change and adaptation. Instead we should focus more on entrepreneurial teamwork and not as much on aggressive leaders or maverick geniuses. He believes that "if we are to compete effectively in today's world, we must begin to celebrate collective entrepreneurship, endeavors in which the whole of the effort is greater than the sum of individual contributions" (Reich, 78).

Innovation in today's global, high-tech, and increasingly competitive market is becoming both continuous and collective which requires collective entrepreneurship or entrepreneurial teamwork. Entrepreneurial teamwork draws on the talent and creativity of all employees, not just the maverick inventors of the dynamic CEO. Competitive advantage today comes from continuous, incremental innovation and refinement of a variety of ideas that spread through the organization. To foster this innovation and growth, entrepreneurial organizations are both entrepreneurially based and decentralized so that every advance builds on every previous advance and everyone in the company has the opportunity and capacity to participate. Because today's products are continually changing and adapting incrementally, value is added to the products at all levels as workers continually discover opportunities for improvement in products and processes. In this kind of market where the company is continually being reinvented as one idea leads to another, "companies grow or decline not with the market for some specific good, but with the creative and adaptive capacity of their workers" (Reich, 80).
However, entrepreneurial teamwork isn't the sole province of the company's founder or top managers in an entrepreneurial organization. Reich states, "rather, it is a capability and attitude that is diffused throughout the company" (81). He sees that innovation is a continuous process and that entrepreneurial efforts are focused on many small ideas, not just a few big ones. "And because valuable information and expertise are dispersed throughout the organization, top management does not solve problems; it creates an environment in which people can identify and solve problems themselves" (Reich, 80).

The ability of the entrepreneurial manager to build high quality teams within the organization very often can make the difference in its success. Timmons indicates that to do this, "the most successful entrepreneurs seem to anchor their vision of the future in certain entrepreneurial attitudes and philosophies (i.e., attitudes about what a team is, what its mission is, and how it will be rewarded)" (Timmons, 228). The vision for the company is what ties the market opportunity, business plan, financing, and teams together.

Timmons also emphasized that "the capacity of the lead entrepreneur to craft a vision, and then to lead, inspire, persuade, and cajole key people both to sign up for and to deliver the dream makes an enormous difference between success and failure, between profit and loss" (Timmons, 229). To do this, the best entrepreneurs have identified and instilled the following team philosophies and attitudes in their teams:

- Cohesion
- Teamwork
- Integrity
- Commitment to vision and mission
- Commitment to the long haul
- Harvest mind-set
- Commitment to value creation
- Equal inequality
- Fairness
- Sharing the harvest

(Timmons, 229-230).

As individual skills are integrated into a close knit group, and teams learn how to work more effectively together at all levels of the process, the entrepreneurial organization's capacity for innovations increases. "The company's ability to adapt to new opportunities and capitalize on them depends on its capability to share information and involve everyone in the organization in a system wide search for ways to improve, adjust, adapt, and upgrade" (Reich, 81). Entrepreneurial teamwork requires an organizational structure that is not hierarchical or designed to control. Instead, it must be designed to spur innovations at all levels for continuous, incremental innovations. In this structure, insight and ideas are more
important than following rigid rules and "coordination and communication replace command and control" (Reich, 81). There are also fewer middle managers, only modest differences in income and status, and quality becomes more important than quantity. Additionally, reward systems reflect this new approach with employee profit and gains sharing as well as performance bonuses.

It is not enough to speak of collective entrepreneurship as being important; clear and consistent signals in companies and the economy must reinforce it. For managers this means:

- Continually retraining employees for more complex tasks.
- Automating in ways that cut routine tasks and enhance worker's flexibility and creativity.
- Diffusing responsibility for innovation.
- Taking seriously labor's concerns for job security.
- Giving workers a stake in improved productivity through profit linked business and stock plans.

For workers this means:

- Accepting flexible job classifications and work rules.
- Agreeing to wage rates linked to profits and productivity improvements.
- Generally taking greater responsibility for the soundness and efficiency of the enterprise.
- Accepting a closer and more permanent relationship with other parties that have a stake in the company's performance such as suppliers, dealers, creditors, and even communities. (Reich, 83).

Ideally, collective entrepreneurship or entrepreneurial teamwork involves all those associated with the company as partners in its future who are committed to its continued success. According to Reich, "it is the one way that can maintain and improve America's competitive performance -- the American standard of living -- over the long haul" (83).

**Strategic Planning**

Warren Bennis, a noted author and professor on leadership in corporations, believes
that "successful CEO's see themselves as leaders, not managers. They are concerned with their organization's basic purpose, why it exists, its general direction ... not with the 'nuts and bolts' ... not with 'doing things right' (the overriding concern of managers) but with 'doing the right thing'" (Nasbitt, 21). Today's CEO must increasingly be a visionary, or in many senses, an entrepreneurial leader who not only must have the mental power to create the vision, but the practical ability to bring it about. The most important ingredient for a successful business is a powerful and shared vision that all involved understand and support. Strategic planning offers a means to develop this vision and implement it throughout the company.

Although entrepreneurship and strategic planning may appear diametrically opposed due to their very nature, Taffi believes that "the absence of top-down strategic planning is another factor that contributed to the demise in past attempts to employ the entrepreneur in a corporate effort. To be effective, entrepreneurial efforts must be driven by strategic purpose and long-term commitment" (Taffi, 19). Very often, the CEO's strategic planning efforts and direct support of the strategic planning process is little more than lip-service. However, where there is the need to look ahead and position a company's resources strategically to capitalize on today's rapidly changing business environment, strategic planning is the key to sustained growth and fiscal durability. "It is a critical function, intimately related to survival" (19). Duncan agrees that strategic planning is critical to the growth of an entrepreneurial firm. "Internally, a firm must become organized and build a culture conducive to intrapreneurship. It must have a strategic commitment to encouraging creative people and a means of integrating their ideas into a corporate strategy if and when innovation results" (Duncan, 18). In an entrepreneurial organization, strategic planning frees up entrepreneurs from the business aspects of the company so they can focus their creative talents on developing the company's vision, new ventures, and innovations. It also offers a means to institutionalize an entrepreneurial culture, new venture process, and compensation system.

Strategic planning for a small firm's short-term and long-term future is important as with any other size firm. By formulating basic strategic plans from careful thought about the mission and objectives of the firm, a small business will have a better chance of success than a firm in which strategy just happens or is poorly planned and communicated. Small business strategic planning includes activities which implement the company's vision and lead to more effective ways of doing business. Because small businesses deal with limited resources, both
human and financial, management of smaller enterprises is more difficult than the
management of larger organizations. Its leader must fully use its resources from the original
targets or ideas all the way through planning and implementation. Small business strategist
must have knowledge of the management tools available, strategic planning pitfalls to be
avoided, and the steps of strategic planning. They must also have an understanding and
practical knowledge of the information necessary "to contend with the complexity of society,
the rapid change and cost of technology, and the increasing rate of service and product
obsolescence" (Patterson, 24.2). If the fundamentals are followed, small business strategic
planning will help executives provide direction for the firm and help them effectively fulfill
their roles in the company.

The basics of the strategic decision making and planning is depicted in Appendix 2.4.
A small business should first identify environmental opportunities and risks and evaluate its
available resources in order to develop strategic alternatives. From this a basic strategy is
established, implemented, and continually reevaluated. The specific entrepreneurial
components of a strategic plan are examined in Appendix 2.5. They include defining the
organization's business and strategic mission, establishing strategic objectives, and formulating
a strategy. Very simply, strategic planning is "providing an orderly step-by-step transition
from one situation to another by first recognizing the company's competitive position, and
then by proceeding to define its position in five to ten years" (Patterson, 24.3). There are six
processes involved in strategic planning that must be consistently followed in order to fit the
strategy to a company's circumstances. They are:

- Looking at the future, making assumptions, and examining its possible
  requirements. The chief planning executive must thoroughly know the
  business and how to turn problems into opportunities.

- Analyzing the situation and specifically defining the accomplishments
  necessary to reach the goal. Each step in the situation analysis must logically
  progress from the previous one.

- Considering the requirements for time, human resources, physical operating
  capabilities, and financial limitations.

- Expressing priorities with appropriate policy statements concerning the
  availability and limitations to the requirements that explicitly state the degree
  of the safety margin.
• Monitoring the progress of the planning cycle with definitive benchmarks. Time frame considerations are set for each major goal's achievement. Strategic planning must be measured over time, and periodic audits are necessary to determine the achievement of goals and to respond to changes.

• Reviewing the plan format to ensure that assumptions are sound and priorities are clear before proceeding with its implementation. (Patterson, 24.3-24.4).

Strategic planning is a means to provide a proper and unified sense of direction for the overall activities of the business for the long-run. Its time frame exceeds one year and addresses policy issues, not administrative or operational issues. Top management must be committed to the role of strategic planning for it to be a success. A small business’ lead decision maker must instill a behavior in the organization and management that is geared toward a positive approach to problem solving and the survival of the business as a whole. With a firm but flexible commitment to strategic planning that focuses on achieving growth and strengthening the business, a small business’ long-term objectives will not be sacrificed for short-term gains or crises. Simplicity is the key. Top management’s primary responsibility becomes seeking and exploiting growth opportunities. It is a necessary process for a small business that must constantly adapt to changing economies and technologies.

The first step in the strategic planning process is to identify the person responsible for identifying the company’s goals and agenda. Because a small business typically has few layers of management support, one, two, or three individuals are usually responsible for setting the direction for the company. They usually do not rely on professional researchers to create plans and offer suggestions on direction. Instead, they draw their functional knowledge of the business to create strategy from their involvement in every facet of the business’ operations and gut feelings of how to perform in different circumstances. There are three basic ingredients to becoming a good strategist:

• The strategic planner must be fully aware of and accept the risks in proportion to the plan’s expected reward.

• The strategist must have mental flexibility, the ability to solve problems logically instead of emotionally, good common sense, applicable experience, and a good amount of imagination, creativity, and ingenuity.

• He or she must also be able to balance between strategic planning and the operating activities of the business. (Patterson, 24.5).
Organizing and implementing a strategic planning process requires "a database around which the strengths and weaknesses of the business can be measured, precise qualitative and quantitative information extrapolated from the day-to-day realities of the business, and most important, the fortitude to run with the planning disciplines during the growing pains stage" (Patterson, 24.14). In addition, there are seven basic pitfalls that obstruct the optimal development and practice strategic planning in a small business.

Patterson explains that they are:

- Failure to manage with objectives
- Crisis management
- Lack of contingency, or alternative, planning
- Reactive management versus proactive management
- Not realizing strategic planning is a means to an end
- Not knowing the business
- Failure to employ existing systems for decision making applications (Patterson, 24.5).

For an entrepreneurial small business, each of these problems can have a serious impact.

- Objectives.

"An organization with appropriate objectives set in motion doesn't flounder because of a lack of direction" (Patterson, 24.6).

Strategic planning is basically management with objectives. To plan objectives is to set strategy. Translating objectives to every level of the organization sets the direction of the company and the means of achieving the objectives. The essential elements of management with objectives are:

* The chief planner explicitly states the policies to be followed. The tasks for developing the structures to implement them are delegated to subordinates.
* Objectives must be suitable to the corporate culture.
* Objectives must be measurable over time.
* Confusion and ambiguity must be avoided. (Patterson, 24.6).

- Crisis management.

"Small businesses succeed and avoid crises when their chief policy makers differentiate between developing strategy and implementing it" (Patterson, 24.8).

Entrepreneurial leadership tends to be crisis-oriented with a shotgun approach to management.
from the top-level few in a small company. The company president or CEO is considered indispensable regarding the day-to-day operations of the business. To this president or CEO, the entire operation is a strategic plan. At this point, strategic planning is mixed with the operational aspects of the business and this dilutes the effectiveness of strategy creation. The chief strategic planner must not spread himself or herself, or the company’s resources, too thin. By surrounding himself or herself with capable professionals who are able to provide accurate information and delegating operational and administrative responsibilities, he or she is free to make decisions and not to implement them.

* **Anticipation.**

"An ounce of anticipatory planning is worth a pound of cure when factors outside the original policy affect its balance" (Patterson, 24.9).

An essential element of small business strategic planning is the company’s preparation for and ability to adapt to unexpected events and uncertainty in the environment. It is important to remember a few basic fundamentals of contingency planning when creating a strategic plan. They are:

* Identify the factors of the business that are crucial to success and develop the fundamental strategy.
* Indicate a degree of probability that events complementary or contrary to the key factors will either create an opportunity or spell disaster.
* Isolate the controllable and uncontrollable conditions that could affect the complementary / contrary events.
* Define critical departure points with appropriate feedback loops, i.e., error messages that would indicate that corrective action needs to be taken.
* Develop contingent plans that could be accessed if the what-if situation arises, and assign mechanisms that permit quick responses to potential upside / downside risks.
* Reassess the original planned strategy when unexpected developments occur, and determine if response mechanisms can be tailored to the situation.
* As a last resort, weigh the strengths of the original plan and if
a faulty base exists, then, and only then, determine if a full scale realignment of the plan is at issue. (Patterson, 24.8-24.9).

- **Proactive planning.**

"By the time competitors have incorporated your original design and concept into theirs, the next planned creative step forward should be well on its way to implementation, not starting to be developed" (Patterson, 24.10).

Proactive planning as part of strategic planning avoids decision making on a reactive basis found in crisis management. This means doing things right and acting effectively in order to accomplish more in a shorter period of time. When implemented in an entrepreneurial climate however, it is important to avoid excess standardization and procedures when planning because it dilutes the effectiveness of strategic planning.

- **Planning: a means to an end.**

"Small business strategists succeed when they realize that the planning exercise is a means to accomplish an end (solving the opportunity / problem equation), rather than an end in and of itself" (Patterson, 24.11).

Those involved in the strategic planning process must not put too much time, financing, or effort into it than is actually necessary. By getting too wrapped up in the planning process, the initial plan may no longer resemble the stated program and the expenses to create it may become greater than the benefits generated.

- **Know the business.**

"The more knowledge in the specific business, the more the strategist can bring to bear in making long-term decisions" (Patterson, 24.12).

Only when the chief strategist is well informed about the internal and external aspects of the business is he or she able to use his or her experience and translate it into solutions that others might overlook. Because the small business CEO usually has the best knowledge of the company's overall competitive advantage and its progress through the life span curve, the direction is often dictated by the CEO and what he or she knows the company does best. The strategy is often focused on what the company can do best and what is known.

- **Expanding existing systems.**

"The chief strategist who doesn't extract more information from the existing inventory of systems and procedures to make the decision-making process easier and more effective is
"dumb" (Patterson, 24.13).

Small business strategists must be able to quickly master new subjects in order to correctly identify opportunities and set goals, but they are only as good as the available information. To get the best information and make the process easier, opportunities within the organization must be uncovered that yield more and better information.

In addition, Robert Burgelman proposes an interesting and feasible process for accomplishing this strategic integration of planning and entrepreneurship. Traditionally, corporate strategic concepts are introduced by top management and then implemented by managers at various levels. Burgelman suggests developing autonomous strategic behavior that moves beyond the firm’s current concept of strategy. "This approach inserts strategic context analysis between traditional strategic behavior and the concept of corporate strategy" (Duncan, 18). Strategic contextual analysis allows middle managers who are potential intrapreneurs to think of the potential problems of implementation and question the status quo. Top management can then either rationalize retroactively or alter past strategic behaviors.

New Ventures

Developing new ventures within a growing entrepreneurial business is another way to effectively retain the entrepreneurial spirit within the company. In some corporations internal venturing and retaining talent has become a way of life. At 3M for example, there is an eleventh commandment: "Thou shall not kill a new product ideal" (Fisher, 189). Stanley Morris of Air Products and Chemicals also formed venture groups within his company which report to top executives in order to "develop a fleetness of foot that otherwise would not be possible. When we need to move quickly, as small businesses often do, this will provide the ability to go very rapidly" ("Here Comes…", 188).

Taffi believes that it makes sense to include corporate-sponsored new venture development as a management tool that should be included in today’s corporate strategic planning. He suggests that "corporations seek even more rigorous approaches for reintroducing the benefits of entrepreneurial innovation -- as a response to the forces of change that exist in our social, economic, and business environment" (Taffi, 9). New corporate venture development helps companies retain their creativity and entrepreneurial
spirit in a business that is changing at an incredible rate. Additionally, today's companies truly exist in an increasingly competitive global economy. Acquisitions as a means of expansion and growth can also prove to be difficult if not disastrous. Companies are looking for ways to increase productivity and effectiveness as a response to new, rapidly developing market opportunities created by the increased rate of technological change and increased competition. In each context, corporate-sponsored, new venture development is a potential vehicle for success and cannot be ignored.

In the 1960's and 1970's companies tried new venture development as a way to harness the benefits of the entrepreneurial methodology to the needs of larger corporations. A few were successful such as 3M, DuPont, and Texas Instruments. They have developed the ability to keep innovation and flexibility alive within their cultures, and this gives them the stamina to outstrip their competition and keep their footing in an environment that is marked by rapidly changing technologies and markets. However, most early efforts were unsuccessful. This poor performance of past internally sponsored new venture developments can be attributed to management's failure to recognize the nature of the management resources required and the organizational environment needed to nurture such activities. Poor strategic planning and the absence of specific purpose, together with a lack of determination to deal with organizational conflict, is a major cause for the failure of such efforts.

The major challenges facing corporations as they enter the 1980's and 1990's are mainly the "need for increased productivity and shorter, less costly development cycles" (Taffi, 6). Rapid, incisive, flexible responses to these issues are critical to survival. Taffi proposes that one answer is to incorporate the specialized capability of the entrepreneurially structured new venture. "New venture tactics -- positioned as part of an overall, top-down strategic plan -- can become the force for injecting the sought-after but elusive vitality of the entrepreneur into the corporate system. In this context, corporate-sponsored new venture development can emerge as a strategic tool for meeting the challenges of the 1980's" (Taffi, 6).

By replicating the innovation and change within entrepreneurial start-up companies, corporate new ventures have greater access to the elements necessary for successful innovation including entrepreneurial talent, autonomy, flexibility and creativity. It is easier to implement a new venture in a growing small business than in a large corporation that is bureaucratic and traditional in its management style because a culture of change and innovation already exists.
If implemented in a company that has a well defined strategic vision, it is an effective means of encouraging and supporting the entrepreneurial spirit. Without a clear vision, the company will most likely experience confusion and difficulty when integrating it with its primary business focus. McKinney states that "true entrepreneurial innovation in a large firm can only come from its leaders; the corporation cannot expect entrepreneurship to be managed" (82).

Innovation and change are most successful in start-up companies because independent ventures have greater access to the ingredients for successful innovation. Because of this Mel Perel of SRI International, a new corporate venture consulting firm, advises that companies should "replicate situations in start-up companies" when setting up internal ventures ("Here Comes…", 188). Also, a venture’s success in achieving its potential often depends heavily on the degree of autonomy and flexibility granted during its development period. The new venture almost by definition, is charting unexplored areas where rules may not exist. Overall, there are five critical areas that must be considered when creating a new venture. They are:

- The decision to found a venture.
- Sources and patterns of funding.
- Staffing.
- Development of operating rules.
- Level of commitment. (McKinney, 78).

New ventures are usually not successful unless these critical areas are examined prior to their development stages.

- The decision to found a venture.

Independent entrepreneurs are prepared to commit time, ideas, and emotional resources in exchange for control of the project and responsibility for its success or failure. Intrapreneurs, however, often have difficulty sharing poorly defined control with top managers, and this undermines their commitment. And if things get rough for a new venture, ultimate responsibility usually reverts to top management whose operating constraints hamper its growth by often diverting its necessary resources or terminating the project. "Unless top management is itself entrepreneurial and genuinely supports the venture, it will be unwilling to accept the risk and sacrifice inherent in innovation" (McKinney, 79).

- Sources and patterns of funding.

Entrepreneurs are motivated to economize during the early stages of a new venture because large amounts of equity funding dilutes the founder’s share and restricts control of resources.
Only after the venture's viability is demonstrated by meeting certain milestones can larger amounts of capital be raised without sacrificing equity control. For an intrapreneurial project, it's financial requirements, and not an external timetable, should determine the pace of funding for a new venture. Funding the intrapreneurial project on a milestone basis instead of the traditional budgeting and resource allocation process or tying additional capital funding to the value created by the new venture will relieve the pressure for the need for suboptimal, short-term results. Too often the pressure for success results in an intrapreneurial project being given too much funding in its early stages which compounds the pressure for short-term results. A compressed corporate timetable does not allow for the maturing process of research and refinement of the project's strategic direction.

- **Staffing.**

Any successful project team is composed of experienced people who understand the project's technical and functional operations. In an independent venture, the team is composed of eager, qualified individuals who share the founder's vision, and control of the venture’s resources and direction is an important reward for leadership. Incentives for entrepreneurs include monetary rewards and opportunities for personal fulfillment, and the financial gain of the team members is proportional to the value created by the venture. Most entrepreneurial ventures also have a board of directors made up of outside directors and experts in the industry. To be successful, intrapreneurial staffing should be similar to that of the entrepreneur. Too often people are placed on venture teams that don't fit, traditional methods of compensation do not motivate intrapreneurs, and internal ventures are limited to advisory resources within the company.

- **Development of operating rules.**

Independent ventures develop their own operating rules for product life cycles, optimal capital/sales ratios, and payment and personnel policies as they develop an understanding of the business area. Learning these rules enables the team to innovate in its new environment. Entrepreneurs also have the opportunity and flexibility to alter their strategy as a matter of survival. For an intrapreneurial venture to succeed, its must also have the flexibility required to adapt to a previously unexplored and undefined market. It must have the opportunity to decide its own operating policies and not be restricted by the parent company’s operational procedures.

- **Level of commitment.**
Whereas entrepreneurial venture managers are free to develop innovations within any promising market, intrapreneurial ventures must subordinate their goals to the welfare of the corporation. This is not a criticism of the intrapreneurial process, but something that is necessary when considering who is the source of the venture’s resources. (McKinney, 78-80).

Developing a business plan for the new venture is a also very important step. Not only will it convince top management that the intrapreneur has a well conceived plan and that he or she is serious, but it will also force the intrapreneur to clarify the venture’s strategic focus and relevance within the company. It is very important that the intrapreneur get help from experts in all involved departments and related areas so that it is a well conceived and written plan.

In addition, Burgelman and Sayles’ in-depth study of corporate innovation successfully identified the major problems associated with the use of new venture developments and with the strategic process regarding internal corporate venturing. The problems identified were:

- Vicious circles which exist when defining the venture
- Managerial dilemmas within the impetus process the venture’s development
- A high level of indeterminateness in the strategic context of the venture
- Perverse selective pressures to grow too fast from the venture’s structural context (Burgelman, 149-150). They proposed several recommendations to improve the strategic management of internal corporate ventures. The recommendations focus on four themes:
  - Facilitating the definition process
  - Moderating the impetus process
  - Elaborating the strategic context of internal corporate ventures
  - Refining the structural context of internal corporate ventures (Burgelman, 152).

Their recommendations help alleviate if not eliminate the problems by developing a corporate context more hospitable to internal corporate ventures.

- *Facilitating the definition process.*

Timely assessment of the true potential of an internal corporate venture is difficult. To do this, the managers and leaders heading up the new venture must facilitate the integration of the technical and business perspectives of the venture, act as coaches to the venture team, and effectively respond to unanticipated technical problems.

- *Moderating the impetus process.*
Once the project reaches venture status, top management should expect the managers and leaders of the new venture team to think and act as corporate strategists and organization builders when developing the venture.

- **Elaborating the strategic context of internal corporate ventures.**

Determining the strategic context of an internal corporate venture is also an often difficult process. Much time and effort should be spent on developing a long-term corporate strategy that encompasses the venture. Corporate management should increase its capacity to assess venture strategies in substantive terms as well as in terms of projected quantitative results. They must also apply an "experimentation-and-selection approach" to the strategic management of internal corporate ventures.

- **Refining the structural context of internal corporate ventures.**

This requires corporate management to use the new venture division design in a more deliberate fashion and to complement this effort with supporting performance-based incentive and reward systems. To do this, top management must increase their managerial performance capacity as it relates to innovative activities. An incentive system should also exist for top management which encourages support for internal corporate ventures (Brugelman, 152-167).

A in-depth summary of Brugelman’s recommendations for making internal corporate venture strategy work better is included in Appendix 2.6.

**Compensation**

If an entrepreneurial small business is successful, it may develop into a larger enterprise that may, or may not, maintain its entrepreneurial spirit. This is often accomplished by developing new products, internal ventures, or creating an entrepreneurial culture and strategy to compete in the industry. In the contexts where entrepreneurial behavior is expected from both managers and employees, the reward system is a communication device that can be used to support the other organization subsystems that nurture entrepreneurial activities.

"A company’s pay system, if planned effectively, is a communication tool that reinforces desired employee behaviors and attitudes. If planned in a haphazard way, pay systems may contradict other management policies, teaching employees the wrong behaviors
and attitudes and violating their values of equity and fairness. It is difficult to manage the process of innovation when the reward system is perceived as unfair by the employees" (Balkin, 25). Entrepreneurial reward policies should be designed to communicate to employees that entrepreneurial behaviors such as creativity and innovation, a willingness to take risks, cooperative and interactive behavior, a focus on long-term results, the ability and willingness to change, and a tolerance for ambiguity, are not only desirable but necessary and will be rewarded.

Special compensation programs are very important in encouraging entrepreneurial activities inside companies. Perel says "special compensation is one way to attract and retain entrepreneurial people" ("Here Comes…", 188). However, he adds that "few senior executives can stomach a young entrepreneur walking away with millions of dollars" ("Here Comes…", 188). Instead he suggests that individuals selected for venture programs might agree to take a clear career risk involving relinquishing certain benefits. That would make the risk-reward tradeoff more meaningful to the intrapreneur and help dispel resentment among conventionally paid employees. John Luther, President of Development Agency, a division of Marketing Corporation of America, says "If you are successful [developing a business] you should make more money than the head of the division because you have done one of the most difficult things in business: generated a new business" (Here Comes…", 189). But Palo Alto Consulting downplays getting rich as a motivating factor for intrapreneurs. They recognize that "success comes in the ‘lean and mean’ organizations" and are concerned about a venture’s financial stability when people have too much money ("Here Comes…", 189).

When asked what motivates corporate intrapreneurs, Fry replied, "mostly to make something happen, to make something take shape, and to come alive as a result of the excitement and the satisfaction of success. ... [an intrapreneur’s] goal in life is to make his work count for something" (22-23). The main motivation for intrapreneurs is internal. It is the desire to see something take shape and work again and again.

Traditional corporate reward systems are designed for people who enjoy money, power, and status. They encourage safe, conservative behavior, and promotions are based on more responsibility and higher rewards. These factors are not high motivators for intrapreneurs in an entrepreneurial company for two reasons. First, they are rarely promoted to positions that match their contribution to the company. If they are good at intrapreneuring, there is no where else to promote them except to management, which then reduces the
likelihood of any future innovative contributions. Secondly, intrapreneurs rarely have interests or the temperament required for line or staff management positions. They need freedom to create, and if they do this as managers, they may create disaster by tinkering with something that is not broken.

Because of these two facts, it's not likely that a proven or promising intrapreneur will be appropriately rewarded in today's corporation. This is because as managerial responsibility increases, technical creativity decreases. Also, management career paths do not allow for career intrapreneurs who desire freedom as much as increased pay. Today's corporations must break with tradition and give entrepreneurs the freedom that they need. Entrepreneurial pay policies should recognize the greater risk associated with the business venture, the need to conserve cash, and the entrepreneurial behaviors and attitudes necessary among employees. Reward policies should be carefully planned before they are imposed on employees in an entrepreneurial organization.

According to David Balkin and James Logan's article, "Reward Policies that Support Entrepreneurship," there are four important pay policy areas to consider in an entrepreneurial company. They are pay level, pay mix, pay structure, and pay raises.

- **Pay level.**
  Pay level refers to how employees' salaries fit into the competitive pay market. Management in an entrepreneurial company chooses its position relative to the market so that employees' salaries and benefits can be set in a consistent manner that reflects the degree of risk assumed by management. Employees are expected to share the risks and rewards of the company by receiving their earnings as fixed pay (salary and benefits) and variable pay (incentives) where fixed pay is at below-market or at-market levels and there is the potential for high variable rewards.

- **Pay mix.**
  Pay mix is the proportion of salary, benefits, and incentives that comprise the employee's total pay package. Entrepreneurial firms put a significant portion of an employee's total potential earnings (10% to 50% or more) at risk in the form of pay incentives that are tied to individual, group, and organizational goals. The variable portion of the pay package is earned by the employee when the organization is most able to pay cash to employees such as when profit targets and growth goals are met. When goals are not met, pay incentives are not paid and the company is able to reinvest a significant portion of labor expense into the
business at a time when it is most vulnerable and in need of cash. The variable portion of the reward package includes short-term and long-term incentives that are designed to stimulate performance and retain employees. Profit sharing is a short-term incentive that is used for employee retirement as deferred income or distributed as a lump sum of direct pay. It focuses employees’ attention on the business’ financial goals, has a significant symbolic value because all employees receive a share of the profits proportional to their salaries, and reinforces teamwork among employees. Some form of equity ownership is a long-term reward that is commonly used in entrepreneurship. It is an excellent retention tool since employees’ stock options would increase in value in the long run, and employees with an equity stake in the firm are more likely to identify with management’s perspective, thinking more like owners than paid employees since they are risking some of their capital to buy the stock. This results in employees looking for innovations and opportunities that will benefit the firm from an ownership perspective as well as employee’s viewpoint. Finally, employee equity participation can shape and reinforce an employee’s desire for teamwork and cooperation by reducing traditional labor-management differences.

• Pay structure.

Pay structure refers to the hierarchy of pay rates among jobs in the organization. Because entrepreneurship tends to have flat structures with few levels of management, hierarchical distinctions are kept to a minimum and reward policies do not recognize status differences among employees, if at all possible. In an internal new venture, it is especially important not to copy the reward policies that are designed for a bureaucracy and recognize differences in employee status. For example, an all-salaried pay system for hourly employees in an entrepreneurial company is designed to remove some of the negative status symbols associated with hourly pay by compensating hourly workers on a weekly or monthly salary basis also. Although time records for nonexempt employees must still be maintained by law, and overtime pay must be given when warranted, hourly workers gain greater flexibility in their work hours, feel less singled out, and feel more responsible for their behavior.

• Pay raises.

Pay raises involve pay increases in the company. The traditional method of allocating pay increases -- granting pay raises on an annual basis that are factored into employees’ salaries -- is not effective in an entrepreneurship because it reduces the link between compensation and performance, and entrepreneurship cannot afford to face escalating fixed salary and benefits
costs without comparable increases in employee productivity. A lump sum salary increase policy meets the special needs of an entrepreneurship because it rewards individual employee performance. It is given as a lump sum of pay or in several increments in addition to salary, is similar to a bonus as part of the variable pay mix, and is awarded for meeting individual performance targets. Lump sum salary increases help conserve scarce cash and give the organization more flexibility to reward the best individual performers. Because it is not included as part of the base salary mix, employees must re-earn the pay raise each year by sustaining a high performance level, which is in the best interest of the company. Under this policy, salary expenses can be more effectively controlled since they may remain constant over a longer period of time, and benefit expenses should be lower because many benefits are tied to an employee’s base salary.

Although it is common that the internal venturist in an entrepreneurial organization gets a new title, salary, bonuses, and equity, these are seldom enough by themselves. Intrapreneurs also need future access to capital to remain with the company. Pinchot also suggests using a reward system designed to keep the successful intrapreneurs within the company such as giving a percentage of the intrapreneurs share in salary and the rest as seed money for future projects within the company. The incentive then is to stay and use that capital internally, not to take the cash and start their own venture. The number one rule for sponsoring intrapreneurs is “thou shall not breed thine own competition” (Fisher, 189).

One entrepreneurial compensation method that has proven successful in this area is to develop "freedom credits" that will allow people to receive rewards from past and present innovation and motivate them to future creativity. Whereas capital gives an investor freedom to evaluate and eventually select options, "intracapital" is the equivalent of capital for intrapreneurs (Duncan, 19). Intracapital is a discretionary budget with no time limit on expenditures used within the corporation which is renewed only with continual success. The theory behind intracapital is that when an intrapreneur makes a significant contribution to cost reductions, revenue increases, or both, some proportion of the added net income should be reserved to support his or her future creativity. For example, the intracapital could be used to purchase corporate resources such as computer use or time from a department.

Informal intracapital systems may already exist in entrepreneurial companies. For example, as an intrapreneurial corporate sponsor recognizes the potential of an employee’s idea, he or she may run interference with top executives, therefor freeing certain unavailable
resources for the intrapreneurs use. Also, it may be part of a manager's job description for which he or she is compensated, such as at 3M.

Although there are no limits to the types of intracapital systems, Pinchot recommends following these guidelines when developing such systems.

- Intrapreneurs should be expected to assume some potential risks. This could mean the corporation and individual enter into a risk contract in which each understands the risks assumed by all parties. Risk-sharing systems are based on the following:
  
  * The intrapreneur should test his or her commitment in the same way the corporation is required to test its commitments.
  * Innovators are more dedicated and enthusiastic when tangible measurements of commitment are required.
  * Other employees should know that the intrapreneur assumed personal risk. Employees will accept the legitimacy of greater autonomy if they know those reaping the benefits took greater risks.
  * The intrapreneur should receive tangible evidence of the corporations commitment when the risk contract is executed.

- All parties should understand how success will be measured and how profits and costs will be defined. This includes any and all aspects of transfer pricing and allocation of overhead.

- The method of allocating profits from all ventures should be understood and accepted. It should include:
  
  * Allocation to the general fund of the organization.
  * Bonuses to members of the intrapreneurial team.
  * Distribution of intracapital funds that can be reinvested for future use by the intrapreneur.
  * Distribution of earnings on the discretionary fund until it is spent.

- Contingencies should be anticipated in advance. Provisions should be made for the departure of the intrapreneur from the firm, the removal of the intrapreneur from the team, and the reintegration of the intrapreneurial units.
into existing business units if such action becomes necessary.

- The corporation and the intrapreneur must look at the contract more as a *moral* than legal commitment. Intrapreneuring is founded on confidence and trust. (Duncan, 19-20).

Profit sharing is another compensation method that has proven to be effective in entrepreneurial companies. In the early 1900's Henry Dennison practiced a form of management sharing based on the concept of employee representation and remuneration. Dennison's systems was based on the principles that responsibility should be closely related to ability and that reward should be closely related to service. Not surprisingly, Dennison's principles still operate today. "Even though intrapreneurs desire autonomy and financial freedom more than monetary rewards, human nature is such that visionaries, even altruistic ones, will not be satisfied to generate ideas that give others profit without an equitable share of the payoff" (Duncan, 20). Without a payoff, intrapreneurs may as well become entrepreneurs and do their creating in their garage for themselves or a competitor.

According to Dennison, once employee's basic necessities of life are fulfilled, the distribution of profits becomes an important determinant in performance. The normal human, even with increased earnings, will reduce effort if hard work only increases the income of absentee shareholders or owners. Intrapreneurs act the same way. At the time Dennison's solution was very creative and potentially revolutionary. Since investors are interested in dividends, but it is the workers performance that determined the success of the company, increasing rewards could and would increase performance. Dennison sold investors a cumulative fixed dividend preferred stock and paid these dividends first. Employees and managers then owned common stock, became partners, and were paid dividends on these partnership stocks that were accumulated through service to the company. Of the remaining profits, two-thirds were given to the managers and one-third to the employees, both in the form of non-transferable stock which became part of their holdings in the next remuneration period.

Dennison's contributions are significant to the creation of an effective compensation system within an entrepreneurial organization. For example, a corporation might indicate its commitment to innovative and creative behavior by making new projects profit centers under which the corporation would function as a venture capitalist. In return for financing, it would receive a guaranteed, cumulative fixed rate of return that would ensure a return of the original
investment plus a reasonable and agreed upon profit. Once the investment was recovered and the return acquired, members of the project team would share indefinitely in the profits guaranteed by their innovation. The corporate general fund would receive two-thirds of the profits as compensation for its up front risk taking and the intrapreneur would receive one-third. The returns and benefits would continue much like a royalty to be given to the responsible individuals for as long as there are benefits to receive from the innovation.

There is no reason why intracapital systems cannot exist simultaneously with reward philosophies that contribute directly to improvements in lifestyle. In fact, a system built on intracapital that allows autonomy and freedom for the intrapreneur and on tangible economic rewards from profit producing innovations is likely to help satisfy the needs of both the intrapreneur and his or her family (Duncan, 21).

Although this dual reward system offers practical advantages, it is not common in modern corporations. Few firms recognize the importance of providing intrapreneurs with the freedom to work on what they like, discretionary resources, autonomy, and the opportunity to fail or succeed. Most are not successful at identifying, stimulating, or rewarding creative employees. The current focus of corporations on the short-run and the prevailing view that managers are merely agents of the owners almost ensures that intrapreneurs will find it necessary to leave the corporate environment if their ideas are to provide any personal benefits other than steady employment.

However, both IBM and 3M have developed intrapreneurial systems that are very successful. IBM names individuals as fellows for outstanding technical accomplishments and entitles them to five years of total support to begin and pursue something new. 3M encourages its employees to use its facilities to test their ideas, and intrapreneurship is considered "the only game in town" and they present Oscar awards to innovators for their contributions and achievements (Duncan, 21). At 3M, individuals are not paid bonuses but instead given discretionary access to corporate resources. They have also considered developing formal career paths for intrapreneurs as an alternative to the normal career ladder and may develop contracts with intrapreneurs and teams to specify the conditions under which intracapital will be set aside from successful ventures' profits.
Entrepreneurial Management

In order for an entrepreneurial small business to achieve a longer-term sustained growth rate in today’s business environment, especially as it experiences the transitions between the stages of the company’s growth and the changes in managerial functions, the entrepreneur must develop competencies as an entrepreneurial manager. Additionally, by treating a growing small business as an entrepreneurship and by empowering each person to act as an entrepreneur within the venture -- not just the entrepreneur -- the small business can not only survive but continue to grow. In this context, the role of the entrepreneur changes from that of a typically described entrepreneur to that of an entrepreneurial manager who supports the entrepreneurial process within his or her growing venture. The entrepreneurial management process then is one which focuses on managing an organization to develop and capitalize on its entrepreneurial characteristics. It involves the development of an entrepreneurial culture, employee empowerment, entrepreneurial teamwork, strategic planning, new ventures, and compensation.

The ability to manage change may be the primary success factor in today’s competitive business environment. However "managed entrepreneurship’ is a conceptual error born of misunderstanding management’s role. Management systems were originally developed by entrepreneurs such as Alfred P. Sloan to enable entrepreneurs to direct growing organizations. Managers cannot manage entrepreneurs; the entrepreneur must lead the manager" (McKinney, 82). Entrepreneurship and management are different functions: entrepreneurs and traditional managers define problems differently and work under different decision-making systems. Entrepreneurship is usually the province of the small or start-up company and can succeed in the larger corporate environment only when the top corporate decision makers are themselves entrepreneurial. Although entrepreneurial functions are often brought inside the company as a response to the need for innovation, many firms’ existing management systems clash with the entrepreneurial style of the new venture. This suggests that traditional and even successful managers cannot effectively manage entrepreneurs within the corporate environment. Whereas managers are responsible for developing routines to handle day-to-day operations, entrepreneurs must be free to operate strategically and allocate resources in response to highly unstructured conditions. "The entrepreneur who is constrained by existing routines will not be able to act in the venture’s best long-term
interests" (McKinney, 77). In order for an established corporation, or even a small business, to innovate significantly and successfully, it must understand these differences and the importance of entrepreneurial leadership in the company. Entrepreneurship is necessary to catalyze and direct innovation, and management is necessary to effectively manage the venture in the long-run. Both functions must coexist in a successful entrepreneurial company. McKinney concludes that "to be successful the entrepreneurial element must be present not only in the new intrapreneural venture, but also in the highest levels of the corporate decision-making structure. Only if the management function is subordinate to the entrepreneurial function can intrapreneurship operate effectively in a large corporation" (McKinney, 77-78).

Companies that are bold enough to seek ways to manage entrepreneurially by employing entrepreneurs and using their inherent skills and motivations will at the very least benefit from increased productivity in the form of rapid response to evolving market opportunities and significantly lower costs for its new product and new business development efforts (Taffi, 10). For example, Hubie Clark, the Chairman of Baker International, who reorganized the company to specifically instill an entrepreneurial spirit among the company's leaders, boosted sales and earnings by 34% each year for the last ten years. He predicts that "the corporations that grow successfully in the next 25 years will be the ones who are led by people that are innovators and entrepreneurs. These top executives will be creative and possess the ability to restructure the organization according to changing conditions" (Taffi, 10). In addition, Lewis W. Lehr, the onetime chairman and CEO of 3M, stated "we honestly believe [3M's] success is due to the entrepreneurial spirit we try to maintain in our organization despite our size" (Taffi, 15). Taffi also points out from his own experience with Xerox Development Corporation, one of the most distinctive and innovative organizations to engage entrepreneurial capability, that "the productivity ratio of the independent, entrepreneurially organized venture was as high as 5 to 10 times that achieved by more conventional organizations in place at the time" (15). Overall, these statistics and examples support the belief that entrepreneurial management approaches, when unleashed in an organization, can provide significant benefits in the form of productivity, creativity, innovation and financial efficiencies.

Entrepreneurial small businesses and their entrepreneurial managers face many probable crises as they mature, including the "erosion of creativity by founders and team;
confusion or resentment, or both, over ambiguous roles, responsibilities, and goals; failure to be able to clone founders; specialization and eroding of collaboration; desire for autonomy and control; need for operating mechanisms and controls; and conflict and divorce among founders and members of the team" (Timmons, 186). They are also confronted with the problems of compounding time and change, nonlinear and nonparametric events, relative inexperience, counterintuitive and unconventional decision making, fluid structures and procedures, and an entrepreneurial culture.

- **Compounding time and change.**

In the high-growth stage, change, ambiguity, and uncertainty seem to be the only things that remain constant, and these factors combine to shrink the already precious commodity of time.

- **Nonlinear and nonparametric events.**

Entrepreneurial management is characterized by events that do not follow straight lines, progress arithmetically, or even appear related. Instead, events occur in bunches and leaps.

- **Relative inexperience.**

The entrepreneurial management team may be relatively inexperienced.

- **Counterintuitive and unconventional decision making.**

Decision making in an entrepreneurial, high-growth venture is often characterized by counterintuitive, unconventional patterns.

- **Fluid structures and procedures.**

Most entrepreneurial ventures do not follow conventional organizational patterns and structures. It is not uncommon to find a firm that has grown $25, $50, or even $100 million per year in sales and that still has no formal organizational chart. If it does have one, it is usually out of date, changes frequently, and has few management layers so that top decision makers are easily accessible. However, this informality does not always mean it is ineffective when it comes to clarity of direction and purpose, goals, and standards.

- **Entrepreneurial culture.**

There exists a common value system, although it is difficult to articulate and measure, that is evident in the company’s behavior and attitudes. Together the company is committed to growth, achievement, improvement and success. Personal status and power appear unimportant to managers who are far more concerned about making sure that tasks, goals, and roles of all those involved are clear. (Timmons, 185-188).

John Rockwell, president of Booz, Allen Venture Management, also points out four
reasons why entrepreneurial management in a company does not work. They are:

- The activity of the company is product oriented.
- The company's approach the new-product process as a sequential problem.
- The company has a highly structured environment.
- The company cannot free up experienced people to work against the unknown.
  ("Entrepreneurial Management...").

In addition, Taffi acknowledges that many past entrepreneurial activities within corporations have failed because the company's missions and goals are ill-defined and broadly stated, the management equation is oversimplified, and there is a failure to acknowledge the need for special skills not inherently found within the executive ranks of the corporate organization.

- *Ill-defined and broadly stated missions and goals.*

Corporate entrepreneurialism fails because there is a lack of specificity, focus, and purpose. "These qualities can come only when a new venture is embraced within the architectural framework of strategic planning" (Taffi, 20). Strategic planning identifies the most effective means of deploying corporate resources in relation to the changing characteristics of the business environment. Strategic planning is important to corporate entrepreneurialism because it defines the specific purpose for a company's entrepreneurial efforts. Any entrepreneurial effort within a company should answer these following questions which are usually reflected in a comprehensive business plan:

* What is the strategic purpose served? It could be a short-term critical or long-term strategic purpose.
* How much money is needed to establish the effort?
* Does top management, as well as those chosen to lead the venture, understand the business they intend to enter?
* Are the people selected to lead the venture qualified and experienced to enter this business?
* Does the market need exist now and does the product and service fill this need?
* Is there a clear understanding of the risk?
* Is the product or service unique and if so, how and why?
* How much money can be made?
* How much money can be lost?
* Realistically, how long will it take?

- **Oversimplification of the management equation.**

According to Taffi, the "management equation" in the context of entrepreneurial ventures includes:

* Those chosen to lead the company's internal venture efforts.
* The dedication of corporate top management, including the CEO and President, who recognize and support the strategic purpose.
* The selection of management resources for the venture itself, entrepreneurial in nature.
* The creation of an organizational environment, or "climate" that maximizes the likelihood of success of the entrepreneurial venture.
* The inclusion of a reward system that reflects the nature of the risk.
* The determination and recognition to provide a high degree of autonomy for the venture team, with mechanisms for control existing outside of conventional organizational structure.

(Taffi, 20)

In order for an entrepreneurial venture to be successful, this "management equation" must not be oversimplified or generalized which is often an inherent result of the belief that a good manager can manage any kind of business. Each business has its own peculiar and subtle characteristics, and therefore "success in a given industry is the result of intimate knowledge gained through experience and sophisticated familiarity with that industry" (Taffi, 21). For example, when starting a new internal venture, success can often be attributed to sensitivity to the specific industry's frequently intangible but critical details.

- **Failure to acknowledge the need for special skills.**

"Certainly we can conclude from what has been learned that internally sponsored new venture development is an activity that requires management and direction of a special kind" (Taffi, 22). The executives that will be successful in entrepreneurial ventures are different from other staff or line function executives, much like a surgeon is different from a psychiatrist.
The establishment and management of an entrepreneurial venture is successful when the inherent and subtle differences in the motivation of the executives involved in the venture are recognized. Successful entrepreneurial managers have the desire to be involved with start-up or high-risk business situations outside of the corporate hierarchy as compared with those who seek career growth within the corporate environment. "By definition, all successful new ventures are headed by men or women known as ‘entrepreneurs’ -- people who undertake to organize, manage, and assume the risk of a business. It follows, then, that the likelihood of success in corporate new venture development will be immeasurably enhanced if managed by those who can be identified as ‘entrepreneurs’" (Taffi, 22). Overall, success in managing an entrepreneurial venture relates directly to the nature and characteristics of the management resources employed. Entrepreneurial success is basically the work of persons with entrepreneurial talent so the selection of management resources is critical.

Timmons believes that “entrepreneurs who build substantial companies that grow to over $10 million in sales and over 75 to 100 employees are both good entrepreneurs and good managers” (Timmons, 190). Entrepreneurial managers "recognize and cope with innovation, taking risk, and responding quickly, as well as with absorbing major setbacks" (Timmons, 191). Those that are most effective in this atmosphere seem to thrive on the hectic and chaotic pace and find it challenging and stimulating, not frustrating or overwhelming. Very often they use a consensus approach to build a committed and motivated team, are good at balancing conflicting demands and priorities, and effectively manage conflict. Effective entrepreneurial managers have these skills and characteristics:

- They are skillful at managing conflict, resolving differences, balancing multiple viewpoints and demands, and building teamwork and consensus.
- They have an intimate knowledge of their customers and markets.
- They have strong leadership skills and develop teamwork.
- They take a leadership role in attracting high-quality people, imparting the company’s vision to them, and retaining and motivating them.
- They also have strong financial skills. (Timmons, 189-190).

Often referred to as "entrepreneurial influence" skills, a successful entrepreneurial manager has strong interpersonal or teamwork skills, particularly in the areas of leadership, vision and influence; helping, coaching, and conflict management; and teamwork and people management.
• *Leadership, vision, and influence.*

They create clarity among confusion, ambiguity, and uncertainty. They build motivation and commitment to cross-department and corporate goals by clearly defining and communicating the corporate mission and goals; clarifying roles, tasks, and responsibilities; relinquishing control to others in the interest of the overall goal; and involving the appropriate people in making decisions and in developing cross-functional goals.

• *Helping, coaching, and conflict management.*

The most effective entrepreneurial managers are more creative and skillful in handling conflicts, generating consensus decisions, and sharing their power and information. They are willing to openly discuss problems, avoid getting defensive when others disagree with their views, and realize that high-quality decisions require high-quality inputs. Interestingly, they are willing to risk personal vulnerability -- often by giving up their own power and resources -- to effectively manage. This management style is difficult and often appears ineffective; however, the end results from motivation, commitment, and teamwork anchored in consensus are striking, especially in the following swiftness and decisiveness of decisions and actions as the result of reduced conflict.

• *Teamwork and people management.*

An entrepreneurial manager’s influence also involves building confidence by encouraging creativity, innovativeness, and taking calculated risks rather than punishing or criticizing whatever is less than perfect. They also breed entrepreneurial activity by expecting and encouraging others to find and correct their own errors and solve their own problems. They offer help and resources when needed and enable others to do the job (Timmons, 192-194).

However, "the real issue is trust," says Lou Burke an innovative manager within AT&T who evolved from an intrapreneur into a sponsor. "You’ve got to trust some guy who is 2, 3, or 4 levels down. Companies with all kinds of procedures and countersignatures to control their cash flow have to be willing to throw some of that over, give the guy a budget and let him go" (Robinson, 198). For an entrepreneurial manager, trust is the critical element that binds these entrepreneurial influences together as well as the organization. To be effective, an entrepreneurial manager must be perceived as trust worthy and act in ways that create trust. They must be straightforward, open and spontaneous, honest and direct, and creative problem solvers that can blend and balance multiple views and demands. (Timmons, 191-192). Additionally, entrepreneurial managers must have a sound foundation in the
traditional management skills: administration, laws and taxes, marketing, operations and production, finance, and technical skills related to the venture.

Rockwell points out that successful entrepreneurial managers:

- Understand the basic difference between maintenance and innovation and innovation and invention.
- Understand that the greatest organization barrier to innovation is the lack of commitment by top decision makers.
- Understand that Gresham's Law prevails in corporate society in innovation. Thomas Gresham made the observation that when two coins are equal in debt paying value, but unequal in intrinsic value, the one having the less intrinsic value tends to remain in circulation and the other to be hoarded or exported.
- Understand that innovation is a creative process.
- Understand that innovation is fostered by interdisciplinary interaction. ("Entrepreneurial Management...").

Furthermore, entrepreneurial managers are most effective in a small business when they delegate their authority, realize their span of control, and utilize outside resources.

- Delegating authority.

By delegating authority, the entrepreneurial manager can perform more important tasks after turning over less important functions to subordinates. Failure to delegate is one of the weakest points in small business organizations and is a special problem for the entrepreneur whose background usually contributes to this situation. Because the entrepreneur has organized the business and knows more about it than any other person in the firm, he or she is inclined to keep a firm hold on the company’s leadership. For example, when employees find it necessary to clear almost every issue or idea with the president of a small company, he or she is unable or unwilling to effectively delegate authority. This keeps the president exceptionally busy and leaves little time for top level decision making processes or strategic planning. "Delegation of authority is important for the satisfactory operation of a small firm and is an absolute prerequisite for growth. This factor alone is the reason why many firms can never grow beyond the small size that can be directly supervised in detail by the owner" (Broom, 357). For the entrepreneur, delegation of authority is an especially difficult task because it involves releasing his or her control of the business.

- Span of control.
Although the proper span of control a person can effectively handle is usually suggested to be six to eight people, it actually varies depending on the superior’s knowledge, energy, personality, and abilities. As a small firm expands, the entrepreneur’s span of control is extended. For entrepreneurs, there is a tendency to span too far as employees are added. Eventually a point is reached which exceeds the entrepreneur’s time and ability that he or she can devote to the business. It is at this point that the entrepreneur must establish intermediate levels of supervision, devoting more time to management and moving beyond the role of player-coach. The more clearly the levels of supervision are defined, the more effective the small business will operate. This again is very difficult for entrepreneurs to do because it involves delegating authority and releasing their control of the business.

- **Outside resources.**

For an entrepreneur, an active board of directors or advisors for a small business is both practical and beneficial because it brings supplementary knowledge and experience to the company’s management. A board of advisors is also a group of qualified outsiders except they do not hold the legal responsibility of directors. By holding regular conferences to debate ideas, determine strategy, examine the business environment, and explore different policies, the board assists the chief executive and management team. By utilizing a board of advisors, the chief executive is not turning over active control of operations but consulting with and seeking the advice of the members’ larger pool of business knowledge. Those selected to the board should be individuals who really understand the small business and its specific industry. Compensation of the board varies greatly among small firms from no compensation to annual retainer fees. According to Peter Drucker, "the small business and medium-sized company needs an effective board of directors even more than the big one and usually has one that is even less effective. If I were the chief executive officer of a medium-sized company, I would spend a fair amount of time thinking through what I want my board to do, what I need from a board -- including, let me say, someone who will look at my proposal and say flatly, 'This is not good enough.' One doesn’t need a rubber stamp; one needs a board who can ask the right questions" (Broom, 361).

Finally, there are six principles at the heart of entrepreneurial management which together create the environment, strategic relevance, controls, expectations, and rewards that free the entrepreneurial personality to do what entrepreneurs do best. They also serve as guidelines for successfully harnessing the entrepreneur to an entrepreneurial venture. They
are:

- Doctrine of specialized management resources.
- Doctrine of separateness.
- Doctrine of strategic relevance.
- Doctrine of conflict as a function of form and purpose.
- Doctrine of specific purpose and realistic expectations.
- Doctrine of reward versus risk.

All that has been said about corporate culture, new venture success, the nature of the entrepreneur, and the environment in which an entrepreneur functions best can be summarized into these six doctrines.

- **The doctrine of specialized management resources.**

Those who are entrepreneurially oriented are best suited to perform the tasks associated with new venture development, for they seek opportunities that have organizational characteristics and risk and reward options that are hard to duplicate in large corporations. "Consequently, the successful corporate-sponsored new venture development activities are managed by individuals with experience generally gained external to the large corporate environment, who possess significant experience as entrepreneurs, and who seek career path opportunities external to the large corporation" (Taffi, 30). Studies and analysis of attempts to employ venture group methods to develop new products and businesses show that "the people responsible for existing operations in the large corporation were not likely to be as creative about positive change as special development organizations whose sole goal was to work new ideas into successful projects" (Taffi, 30). The subtle but significant differences associated with the nature and characteristics of those who are most likely to successfully manage an entrepreneurial effort must be recognized so that they can be utilized.

- **Doctrine of separateness.**

In the context of creating a new venture, this is the development of an organizational vehicle that is truly separate from its corporate sponsor. It operates with a clearly defined charter to oversee and develop new ventures, much like Xerox Corporation created the Xerox Development Corporation as a separate business unit. It has separate policies and practices which provide it with the autonomy and management climate needed for accomplishing the entrepreneurial role it was created to perform. Trying to create this organization within the large corporate organization guarantees its failure. The exception to this is if the organization
has created a climate or management environment consistent with top management’s
organizational commitments to entrepreneurial innovation, such as with 3M, DuPont, or
Texas Instruments. Different kinds of companies also require different approaches to internal
venture development based on their past support of entrepreneurial innovation. It is difficult
to implement change in areas of the business entrenched in historic traditions and values. To
overcome these inhibitors of corporate change, Taffi concludes that "a logical alternative is to
create the forces for change outside the organization, rather than internally where it will be
rejected as foreign and threatening" (31).

- **The doctrine of strategic relevance.**

For successful results and to integrate the efforts of a venture organization, a top-down
strategic framework needs to identify and specify the purpose behind allocating resources and
funds to a new venture development, even if it exists as a separate organization. A top-down
corporate strategy is emphasized because such strategy development is the responsibility of
the CEO. He or she must support the plans and vehicles created to achieve his or her
purpose. If an independent entrepreneurial organization is created to help fulfill the overall
strategic purpose of the company, the CEO must be its chief supporter and protect it from the
day-to-day operations and staff or functional elements that would resist the change its creation
implies. The CEO should be involved because of his or her role based on the factors of
perspective and time. His or her focus should be on the future, on the critical environmental
and internal issues that will affect the business in five, ten and even twenty years. To the best
of their ability, CEO’s should be addressing this critical question:

Assuming this is what the world will look like then, what should be done
strategically now to ensure that the corporation has positioned its resources to
maximize continued vigorous growth and financial strength and, consequently,
can offer continuing opportunities for growth to our employees and continued
financial benefit to our stockholders? (Taffi, 32).

- **The doctrine of conflict as a function of form and purpose.**

This is a fundamental phenomenon that relates directly to "the nature of smallness of an
entrepreneurial effort" (Taffi, 32). Corporate organizations must create practices, policies,
and procedures to deal consistently with its personnel and business operations and must staff
corporate positions that specifically manage the uniform application of such systems in an
entrepreneurial manner. Exceptions or non-conformance to these systems cause trouble and
are a source of conflict. Taffi states that "by definition, an entrepreneurially oriented activity within the corporate hierarchy is one that will require exception to existing policies and practices. As a result, it will create forces within the corporation that are counter productive to the venture's original purpose" (33). Typical examples of such conflict are found in the following areas:

* Executive compensation.
Because near-term reward and security oriented benefits are emphasized in executive compensation systems found in the established corporate environment, fundamentally there is no way that entrepreneurial incentives can be created without causing conflict. The entrepreneur seeks rewards that are capital gains oriented and place little value on security based benefits.

* Organizational structure and position titles.
Entrepreneurial efforts place emphasis on survival, results, and immediate feedback and look for organizational structures that are not rigid, offering flexibility without chaos. The entrepreneurial environment is full of ambiguities, with little focus on structure or form. This causes conflict where structure, systems, and order are in place to avoid the creation of chaos in a large company.

* Recruitment and selection of personnel.
Whereas corporate executives are often selected on the basis of the individual’s perceived ability to harmoniously carry out his or her responsibilities, their interpersonal effectiveness, and their alliance with power sources within the corporate hierarchy, the entrepreneurial environment emphasizes the individual’s ability to get things done. It is far less concerned with the individual’s political astuteness or interpersonal skills. To corporate executives, the entrepreneurial organization appears to be a group of unorthodox, difficult to manage mavericks who frequently bypass established channels or circumvent established policies and procedures.

* Policies and procedures.
Even though policies, procedures, and other administrative systems are necessary to systematically and conveniently manage business operations in larger organizations, the entrepreneurial environment incorporates only those
that solve immediate problems and avoid issues that represent vulnerabilities to the success of the enterprise. Decisions instead are made in all organizational areas that are expedient and oriented to short-term problem solving. In essence, "any conflict that inhibits flexibility, rapid response, innovation, and creativity will deprive both the entrepreneur and his corporate sponsor of the basic value and benefits sought by each" (Taffi, 34).

According to Taffi, effectively dealing with such conflict directly relates to the doctrine of separateness: "Simply stated, the potential for success increases proportionately to the corporation's willingness to maximize the opportunity for individual expression and freedom from classical organizational constraints represented by conventional management systems used on a day-to-day basis for the control of the core business" (Taffi, 34-35). This does not mean the absence of controls however. Instead, it means the application of less sophisticated controls that are inherently just as effective in the entrepreneurial environment. For example, there is an inherent risk associated with any potential undertaking -- that is, if the entrepreneur fails, his option is to start over again. Also, because entrepreneurs have limited financial resources, the price of money is dear to them. It is frequently represented by his own assets and those of a few close associates, and ultimately from other sources through the dilution of his equity and loss of control. (Taffi, 35). The entrepreneur's control is having to meet cash flow projections, development of expectation milestones, or projected sales without further dilution of equity. In such an environment, the issue of survival of an entrepreneurial project is based on results.

- The doctrine of specific purpose and realistic expectations.

Without realistic expectations, internal venture efforts are seriously handicapped because very often the risk involved and time commitment required for successful implementation of a new venture are underestimated. Specifically defining the strategic purpose of the venture, in addition to the entrepreneur's already high level of determination and persistence, is necessary for the entrepreneur to maintain a high level of enthusiasm for the project regardless of what may appear to be insurmountable obstacles, frustrations, or disappointments. Entrepreneurial efforts usually require more money and time than anticipated. Today, the role of a new
venture is to exploit identified opportunities in the most cost effective and timely manner possible. "Thus, the new venture becomes a means for accomplishing specific goals, a unique management device tailored to employ entrepreneurial specialists for the implementation of sharply focused corporate, product, or business strategies" (Taffi, 37).

- The doctrine of reward versus risk.

In order to harness the potential value of the entrepreneur to serve corporate strategic needs, appropriate incentives must be created. The need for tangible and meaningful rewards is a relative and variable factor for entrepreneurs, much like motivation, to which no rigid rules can be applied. According to Taffi, "there is a close relationship between the size of the reward and the individual's need for independence and freedom from control of others" (38). In essence, the entrepreneur's need for tangible rewards is tied to his or her perception of what is needed for "independence" -- usually financial independence -- which all entrepreneurs seek. This is not necessarily the desire for wealth, for it is usually only considered the by-product of success and not the primary motivation for the individuals to take the risks inherent in entrepreneurial actions. Incentive programs designed for entrepreneurial efforts must have different characteristics than those designed to motivate those in a corporate environment. Merit, bonus, and salary related compensation methods provide little differentiation between low-risk and high-risk environments and therefore have very poor risk-to-reward characteristics to the entrepreneur. According to Taffi, in order for entrepreneurial incentives plans to be effective, they "must be measured quantitatively against the hard reality of success or failure, and provide the potential of significant gain for success" (39). The size of the incentive must be viewed by the entrepreneur as commensurate with the risk of failure. "The risk-to-reward ratio will generally approach at least 10 times annual gross salary for the term of the venture" (Taffi, 39). In addition, capital gains oriented incentives are best suited for entrepreneurs because it addresses the issue of motivation and retention of the entrepreneurial venture development team and also provides a basis for attracting other high-level, experienced, risk-oriented personnel which is critical to the growth of a new enterprise. Real equity or equity-like incentives can be created comparable to ordinary corporate incentives through an exchange of equities, that is, capital gains versus ordinary income. For example, entrepreneurs may be given shares of stock in the new venture that are convertible to regular shares at a rate that grows more lucrative if its performance outpaces that of the corporation. Another approach is to create an independent corporation which the founding entrepreneurial
team can purchase a significant percentage of stock who’s value is predicted on the achievement of specific and measurable goals over a defined period of time. Then a stock for stock transfer upon successful achievement of the goals establishes the basis of capital gains. Still another method is to create the new venture as a totally independent corporation for which the parent company retains a right to purchase at some future time, based on the achievement of quantized objectives. The new venture stock would be paid for with the company’s stock providing a basis for capital gains. It is not difficult to find methods of providing entrepreneur incentives, but it is difficult to create the climate and flexibility within a corporate environment which will allow such systems to be designed and implemented. The obstacles resulting from the departure from the formally structured and conventional compensation system can be minimized if the following ground rules are followed:

* Base the payment of the incentive on the success or lack of success of the venture.

* Permit corporate executives who desire to try their hand at entrepreneurship to do so under the conditions that they relinquish their reemployment rights, their established compensation benefits associated with retirement, profit sharing, and existing stock options not vested as exercisable, and reduce their salaries in cases where it would be considered excessive for a start-up situation.

By following these guidelines, the concerns of corporate executives about the size of potential gains by individuals are avoided. To the entrepreneur, these conditions are normal and represent the nature of the expected environment. (Taffi, 31-39).

Conclusion

Even after reading this chapter, which probably took quite a long time, entrepreneurship and intrapreneurship are probably still the buzz words of academic and business management circles. However, the majority of related research and existing literature still focuses on either the entrepreneurial aspects of starting a new venture or the entrepreneurial activities of larger corporations. Drucker, Pinchot, Timmons, Taffi, and
many others have made significant contributions to these fields of management study.

However, the questions posed in this research study are, "what is the entrepreneurial management process in this case study" and "how can the entrepreneurial management process be applied as a practical solution to the problems resulting from growth and maturity in an entrepreneurial small business?" The review of related literature and research indicated that these specific questions have only been indirectly investigated. The focus and context of this research study became the identification of the entrepreneurial management process and its applicability to the problems resulting from growth and maturity in an entrepreneurial small business.

Understanding the various concepts of the entrepreneurial management process is essential to determining their applicability to the growth problems of a small business. The concepts of entrepreneurship and intrapreneurship are the bases of the entrepreneurial management process. Understanding their characteristics facilitates the development and application of the concepts to the process. The concept of the entrepreneurial small business was examined to determine its problems resulting from growth and validate the research focus. Entrepreneurial management, entrepreneurial culture, employee empowerment, entrepreneurial teamwork, strategic planning, new ventures, and compensation were examined as the various aspects of the entrepreneurial management process. These aspects support and encourage entrepreneurs and entrepreneurial activity within a company. Relating these concepts to the case study will help determine the applicability of the entrepreneurial management process as a solution to the problems resulting in a small business from growth.

The related literature, as well as practical experience with the organization used for the case study, served as a resource for making decisions regarding research methodology, structuring the interview format, and categorizing the collected data for analysis. The primary source of data became interviews and surveys with the company president and various other company associates. Additional company information was also collected as secondary data. The resulting case study would be used for data analysis.
CHAPTER 3  METHODOLOGY

Introduction

This research study focuses on the identification and analysis of the entrepreneurial management process in a single case study and examines its applicability as a practical solution to the problems resulting from growth and maturity of an entrepreneurial small business. This chapter outlines the reasons for choosing naturalistic inquiry as a general research approach and the case study methodology as a data collection method at the research site. The data analysis plan is also outlined as well as criteria for research validity which were incorporated into the study.

Research Approach

Naturalistic inquiry, as described by Yvonne S. Lincoln and Egon G. Guba in their book, *Naturalistic Inquiry*, is the basis of the research approach for this study. It can be defined by examining its implications upon the research. There are fourteen characteristics of naturalistic inquiry:

- **Natural setting.** The research is carried out in the natural setting or context of the entity being studied.
- **Human instrument.** The researcher and other humans are the primary data gathering instruments.
- **Utilization of tacit knowledge.** The research is based on tacit knowledge (intuitive, felt) as well as propositional knowledge (knowledge expressible in language form).
- **Qualitative methods.** Qualitative methods are selected over quantitative methods, although not exclusively.
- **Purposive sampling.** Random or representative sampling is chosen over purposive or theoretical sampling.
Inductive data analysis. Inductive data analysis is preferred to deductive methods.

Grounded theory. The researcher prefers to have the guiding substantive theory emerge from and be grounded in the data.

Emergent design. The research design emerges and unfolds as the project progresses rather than be preordinately constructed.

Negotiated outcomes. Meanings and interpretations are negotiated with the human sources from which the data have chiefly been drawn.

Case study reporting mode. The case study reporting mode is preferred over the scientific or technical reporting methods.

Idiographic interpretation. Data is interpreted and conclusions are drawn idiographically (in terms of the particulars of the case) rather than nomothetically (in terms of lawlike generalizations).

Tentative application. The researcher is likely to be tentative and hesitant about making broad application of the findings.

Focus-determined boundaries. The boundaries to the inquiry are set on the basis of the emergent focus such as problems for research, evaluands for evaluations, and the policy options for policy analysis.

Special criteria for trustworthiness. Conventional trustworthiness criteria such as internal validity, reliability, and objectivity, are inconsistent with the axioms and procedures of naturalistic inquiry. Therefore, the researcher defines new, analogous criteria and devises operational procedures for applying them. (Lincoln, 39-43).

These characteristics are based on the axioms of the naturalistic paradigm. They are:

- The nature of reality. Realities are multiple, constructed, and holistic.
- The relationship of the knower and the known. Knower and known are interactive and inseparable.
- The possibility of generalization. Only time-bound and context-bound working hypothesis (idiographic statements) are possible.
- The possibility of causal linkages. All entities are in a state of mutual simultaneous shaping, so that it is impossible to distinguish causes from effects.
• The role of values. Inquiry is value bound. These characteristics and axioms describe the philosophy and approach of this research study. In addition, Robert K. Yin in his book *Case Study Research: Designs and Methods* identifies the case study as a general research study as a preferred method of research in the social sciences to experiments, surveys, archival analysis, and historical reports. According to Yin, the case study is best suited for research questions that ask "how," "why," and what." It also fits best with research situations where the investigator has little or no control over behavioral events and the questions are being asked about a contemporary set of events. This research study meets these criteria.

**Research Design**

The design for this research study is based on the characteristics and axioms of naturalistic inquiry as previously described and takes the form of a single-case study.

• Research focus.
The focus of this research study is to identify and analyze the entrepreneurial management process and examine its applicability as a practical solution to the problems resulting from the growth and maturity of an entrepreneurial small business. The Company President and key Company associates are the primary sources for data collection. The entrepreneurial management process is one which focuses on managing an organization to develop and capitalize on its entrepreneurial characteristics. It is examined in the context of the development of an entrepreneurial culture, employee empowerment, entrepreneurial teamwork, strategic planning, new ventures, and compensation.

• Sample selection.
The site for this research study was selected because as an entrepreneurial small business it is currently experiencing changes and problems as a result of growth and maturity. Various concepts of the entrepreneurial management process are also evident within the organization. In addition, the site was chosen because of the authors relationship with the Company President. Access to the Company President and key associates within the organization for personal interviews and questionnaires, as well as secondary data, was easily attainable throughout the research process.
Confidentiality.

The issue of confidentiality was also discussed with the Company President and considered very important to protect the validity of the research study and those participating in the research process. The organization, its locations, the research participants and any additional information that might break the level of confidentiality were not disclosed as agreed upon with the Company President. This information was clearly conveyed to all research participants in a cover letter guaranteeing strict confidentiality and explaining the interview questionnaire process. It is believed that the assurance of confidentiality led to candid discussions with the Company President and candid responses by key associates on the interview questionnaires. Of the seventeen who volunteered to participate, twelve actually responded.

Data Collection and Analysis

The focus of this study took an open-ended, emergent approach as supported by the naturalistic inquiry design. The literature review focused on entrepreneurship, intrapreneurship, and small business management in order to define the entrepreneurial management process in the context of the development of an entrepreneurial culture, employee empowerment, entrepreneurial teamwork, strategic planning, new ventures, and compensation. The major concepts in each of these categories were then arranged in a logical order, defined, summarized into groups of information, and then clustered into sets of information to serve as a basis for constructing the interviews and surveys as well as collecting additional information.

The primary methods of data collection consisted of structured interviews with the Company President and interview questionnaires with the Company President and key associates within the organization. The Company President was chosen because he is the owner and President of the Company, is seen as an entrepreneur, is responsible for the overall direction and success of the Company, and is faced with situations typical of small business leaders that are experiencing changes and problems resulting from growth and maturity. The key associates within the Company were chosen in consultation with the Company President for their differentiating roles and responsibilities within the Company. Participation by key
associates was on a voluntary basis.

Both the interviews of the Company President and the interview questionnaires of the key associates were based on the major concepts of the entrepreneurial management process that was previously defined. They focused on these concepts and their relation to various aspects of the Company that affect and are affected by these concepts. However, the respondents were not constrained to the resulting questions. The interview processes were designed to encourage the necessary issues to be addressed by the respondents.

In addition, more rigidly-structured surveys were conducted to discover very specific information within the company. The examination of financial and historical company data was also used as a source for the case study.

The specific data collection process used and data sources available are as follows:

- Interviews with Company President/Owner.
  05/05/91 Interview with President to request Company participation.
  05/14/91 Interview with President and project advisors to set guidelines.
  06/16/91 Interview with President to select questionnaire participants.
  07/10/91 Interview with President to collect Company information.
  08/25/91 Interview with President to discuss the Company.
  10/05/91 Interview with President to discuss questionnaire.
  12/01/91 Interview with President to discuss Company and progress.
  03/14/92 Interview with President to finalize case study expectations.

- Entrepreneurial Management Process Interview Questionnaire.
  06/16/91 Questionnaire participants selected.
  09/16/91 Cover letter sent to participants.
  09/26/91 Follow-up call confirmed participation.
  10/09/91 Questionnaire sent to participants.

- Employee Empowerment Surveys.
  08/15/91 Survey distributed to all Company employees.
  03/01/92 Survey selected for case study.

- Entrepreneurial Tendencies Evaluation.
  03/20/92 Evaluation administered to Company President.

- Company’s Financial Information.
  03/01/92 Financial statements and related information selected.
The case study developed for the research site provides a description of the problems resulting from the site's growth and maturity as an entrepreneurial small business and the concepts of the entrepreneurial management process that exist at the site. The case is developed from the interviews with the Company President, interview questionnaires of the Company President and key associates, structured surveys, and additional secondary documents. Numerous times throughout the research process, the Company President was contacted to discuss various aspects of the case study, elaborate on the findings, and make corrections to the data. The Company President's review of the case as it was developed was a critical element in establishing construct validity and trustworthiness.

The data analysis for this research was based in the constant comparative method which is a subset of the conventional content analysis as outlined in Lincoln and Guba's book, *Naturalistic Inquiry* (336-339). The constant comparative method involves categorically coding and simultaneously comparing the data collected. Much like the reviewed literature arranged in a logical order, defined, summarized into groups of information, and then clustered into sets of related information, the case study data were analyzed, categorized within their subsets or questions, summarized into groups, and then clustered into sets of information. Those groups and sets that related to the groups and sets developed from the literature review were then categorized, and a rationale was developed for each category. In this manner the discovery of relationships and hypotheses was developed from the data collection and analysis. This study utilized various aspects of the four stages of the constant comparative method within the data analysis process. They are:

- Comparing incidents applicable to each category.
- Integrating categories and their properties.
- Delimiting the theory.
- Writing the theory.

The data analysis process for this case study is as follows:

Detailed examples were cited and then categorized by the various aspects of the entrepreneurial management process: entrepreneurship, intrapreneurship, small business management, entrepreneurial culture, employee empowerment, entrepreneurial teams, strategic planning, new ventures, and compensation. Significant events which related to the secondary data were also examined. These citations were cross-referenced to the case by the source of data,
question number in the interview questionnaire, or reference in the appendix. From these case study citations and categories, similar characteristics were identified in relation to the literature. Analysis within the site and in comparison to the related literature was completed to interpret the data and identify emergent patterns relating to the entrepreneurial management process. This served to generate working hypotheses and build initial theory.

The intent of the data analysis is to contribute to theory development by recognizing the site data, emergent patterns, and working hypotheses in relation to current literature.

Furthermore, Lincoln and Guba cite credibility, transferability, dependability, and confirmability as the means of establishing trustworthiness within naturalistic inquiry. Trustworthiness in this study was established by the following means:

- **Credibility.**
  - Multiple and different sources of information were used.
  - Member checks continually occurred with the Company President.
  - Notes and a journal were kept.
  - Numerous contacts were made with the Company President and key associates.

- **Transferability.**
  - A thorough case description was developed as a data base on which to make transferability judgements.
  - Notes and a journal were kept.

- **Dependability.**
  - The project's advisors helped develop the data collection methods, the case study process, and the final product.

- **Confirmability.**
  - An audit trail was maintained, including field notes and summaries, case drafts, secondary information, interview schedules, notes on site observations, and notes reflecting personal intuitions.
Conclusion

This chapter presented the reasons for choosing *naturalistic inquiry* as a general research approach and the case study methodology as a data collection method at the research site. The data analysis plan was also outlined as well as criteria for research validity which were incorporated into the study.
CHAPTER 4 PRESENTATION OF DATA

Introduction

Data collected from the Company, a regional dealer of business equipment and services, are presented as a case study in this chapter. The case study examines the Company’s history and current position as it relates to the entrepreneurial management process. The entrepreneurial management process is one which focuses on managing an organization to develop and capitalize on its entrepreneurial characteristics. It emphasizes the development of an entrepreneurial culture, employee empowerment, entrepreneurial teamwork, strategic planning, new ventures, and compensation. The case study data are developed from interviews, surveys, and the review of secondary data. Specifically, it includes interviews with the Company President, the data from the entrepreneurial management process interview questionnaire, an entrepreneurial tendencies evaluation of the Company President, an employee empowerment survey, a financial information about the Company. Before the case study, a summary of the data sources is included as well as a company profile, personal profile of the Company President, and author profile in relation to the President and Company.

Case Study Data Sources

- Interviews with Company President/Owner.
- Elements of the Entrepreneurial Process: Interview Questionnaires.
- Employee Empowerment Surveys.
- Entrepreneurial Tendencies Evaluation.
- Company’s Financial Information.
Company Profile

Founded in 1948 as a local typewriter sales and service store, the Company has grown into a regional dealer of business equipment and services with six branch offices and three service centers, approximately seventy employees, and over five million dollars in sales annually.

As technology led the business equipment market through the 1960's, the Company expanded its field of products from typewriters to include cash registers, copiers, adding machines, business supplies, and equipment service contracts. The company also attempted expansion with various sales offices in other cities. With two locations in 1974, the Company sales volume had exceeded $500,000, and advances in electronic technology were guiding the market. By 1977 the Company was experiencing accelerated change and growth as sales exceeded $1,000,000 and 17 employees. At this time they began representing major manufacturers and expanded their product lines to include calculators, dictation machines, and other business machines.

In 1981 the Company began an explosive growth period beginning with two major changes. First, the company was renamed to reflect its market and products, and its first grocery store point of sale (POS) scanning site was installed and supported with 24 hour, seven days a week on-call service. Two additional regional POS offices were established, and the Company continued to successfully represent major business equipment manufacturers. By 1984 the Company employed 25 people and sales exceeded $2,000,000. In 1985 and 1986 telephone systems, mailing machines, facsimile machines, personal computers and business furniture systems were added as product lines, and the company was recognized several times for marketing and sales excellence by its represented manufacturers. At this time the Company had installed and was supporting over 250 POS scanning lanes and 50 telephone systems, and acquired the assets of a regional third party computer maintenance company. In 1987 the Company added three more regional sales offices so that its territory covered four states, sales neared $3,000,000, and over 50 people were employed. At this point the Company was recognized as the second largest Casio POS customer in the United States and the largest customer of Boise Cascade, a office supplies and furniture warehouse. Although computer sales and service revenue increased substantially and facsimile machines became a successful sales item, the Company experienced significant profit stagnation in 1988.
as a result of its previous fast growth and the emergence of discount office supply stores in larger metropolitan areas which catered to small businesses and could afford to offer 40% to 60% discounts.

Currently the Company employs over seventy sales, service, and administrative personnel in six regional locations. Sales surpassed $5,000,000 in 1991, and are expected to continue growing. As technological innovations and increased competition from discount office supply stores continue to drive the business office products market, the Company will continue to focus on offering quality products and services at a fair price to meet its customers’ business equipment, supplies, and service needs. Doing this in an environment that encourages individual excellence is viewed as the key to the Company's success.

The problems that the Company is experiencing are partly the result of transitional growth as it is experiencing its high-growth phase as well as environmental factors. This is based on the fact that there are convergent pressures on the Company President to be an entrepreneur and a manager as the Company’s growth accelerates beyond founder-driven and founder-dominated survival. The transition phase from direct involvement of the President to that of managing managers is potentially dangerous and difficult. For the President this is the pull to change from an entrepreneur to an entrepreneurial manager, one who manages entrepreneurs in an entrepreneurial environment. The personal characteristics that made him an effective entrepreneur often counteract effective managerial characteristics. Another problem is that even though the President knows the entire business better than anyone else, as it grows areas have developed in which he has relative inexperience. He is ineffective in areas where he continues to manage as an entrepreneur manages a business. As the business grows, the President seems reluctant to delegate authority as his span of control widens potentially beyond his control. Not only is this typical of an entrepreneur, but because the President is also owner of the Company, it is also an even more difficult task to accomplish. There appears to be a need for the President to refocus his efforts on strategically leading the Company and less on running the daily business operations. There are communication problems within the Company, and his strategic vision is poorly conveyed to employees. When the Company was smaller, these issues were dealt with on a personal and individual basis; now, this is logistically impossible. In addition, technology is decreasing the time factors of decision making and product life cycle and profit margins are dropping as a result of increased competition from warehouse business retailers.
Company President Profile

The President graduated from the University of Minnesota with a degree in engineering and a Masters in Business Administration. He began his career as a salesperson for a major electronics manufacturing firm. After coming to the Company as a salesperson, he became president when he acquired it from his father in 1973. He and his wife currently hold 100% ownership in the firm. The President is also a co-owner of a clothing graphics screening company and managing partner of a copy and printing store. He is active in many community associations and is involved in the Northwest Minnesota Initiative Fund which grants funding to stimulate northwestern Minnesota’s economy.

As President, he makes financing decisions, staffing decisions, and for those who report to him, hiring/firing and new product/service decisions in concert with sales and service staff input. He focuses his efforts on the Company’s people, listening to customers, products, services, financing and has the final say in all major decisions.

Although the President sees himself more as a manager than an entrepreneur, his managerial philosophy and business practices exhibit entrepreneurial characteristics. As owner and manager, he is personable, accessible, trusted, and holds high ethical standards for his associates. He encourages the people within the Company to do their best, is open to new ideas, and is deeply involved in the day to day operations of the Company. He is committed to encouraging a business environment which supports associate empowerment, personal excellence, initiative, and accountability. Overall, his goal is to have every person in the Company "doing what they really love to do." As exhibited in his bi-weekly newsletters and discussions around the offices, the President also relates to his associates on a personal and family basis and knows everyone by name. It should also be noted that his wife works in the corporate office on inventory control and maintenance contracts.

The President is seen by the Company’s employees as the final decision maker on all major issues. He makes the final decisions on all operations and major items affecting the business, monitors all major purchases, hires personnel for Area #1, and oversees the financial responsibilities and policies of the Company. He focuses his efforts on new ideas and products, customer problems, employee development, Company expansion, and management of the regional offices. He runs major issues through the internal board for input, but in the end, he makes the decision. Employees also see that the President tries to
give each employee a sense of belonging and participation in the Company and supports communication between offices. Overall, he is very concerned with enabling employees to reach their potential.

Author Profile

The relationship between the author, President and Company should also be noted. First, the author, President, and his family have had a close, personal friendship for the past four years. Very often the author will have dinner with his family or visit with him to discuss certain aspects of the Company. Secondly, the author has worked in the Company on and off for the past three years. He has worked as an assistant in the corporate office and has become familiar with the daily operations of the business and the people in the company. The author also participated in a supervised study of the company during January, 1991 in which he participated in all sales and managerial operations.

This relationship with the President and Company is a motivating factor behind the case study. The author has a personal interest in helping the President continue to develop a well managed organization with a strong entrepreneurial spirit and help the company remain successful in an increasingly competitive market.

Interviews with Company President

The interviews with the President were held to inform him of the case study’s progress, to ask for clarification of questions raised concerning the Company, and to discover his managerial philosophy and practices in relationship to the entrepreneurial process.

After requesting the Company’s participation, the first interviews with the President helped develop the project’s format. The names of the key people in the organization were selected to participate in the entrepreneurial questionnaire interviews. They are key people from all aspects of the business at each location. The President agreed to send a letter to the regional offices explaining the project and outlining his and the Company’s support of the interview process. The Company’s financial statements, newsletters, and lists of employees
customers and competitors were collected for use in the project.

The following interviews were discussions about the company and the President’s managerial philosophy and practices. The first interview addressed the question, "what are the biggest problems or challenges in the Company?" The President discussed people management, compressed lead times, strategic planning, and narrowing profit margins. To him, the most important aspect of management is "employee empowerment" or supporting people to take action, make decisions, be held accountable as well as feel a sense of ownership for the Company. His philosophy is based on his belief that "every person wants to do a good job." To do this, management needs to make sure there is a fit between the job and the person. It is "a challenge to get the right person in the right job," but it is also necessary for the organization as a whole to be successful. He tries to help his associates find this "fit" by evaluating what kind of person they are, recognizing their abilities, and knowing what they are looking for in a job. He also refuses to have written job descriptions because he feels they limit an employee in what they can do for themselves or the company. If every employee had a specific job description they would be limited in what they could do if an opportunity arose, and employees could shirk responsibility for something not included in the job description. In addition, there is very little structure within the Company so that employees will not be limited from sharing ideas or responsibilities cross-functionally. Within the Company, all employees are referred to as associates to reflect the lack of structure, the respect for all employees and their contributions, the emphasis the Company places on employee empowerment, and their personal responsibility and ownership for the Company.

As a result of increasingly advanced technology, the lead time factor involved in product introductions and turnover, decision making, and information transfer and application has been significantly reduced. For the Company this means they must stay on top of this information overflow in their industry or go out of business. The speed at which new products are introduced and turnover affects which products they select to service and sell. One day the Company could represent a number one product and two weeks later it may be archaic as product improvements are made or the competition surpasses it. The President feels that employee empowerment and lack of formal corporate structure is an effective way to meet these challenges. These factors encourages employees to react quicker to changes and capitalize on opportunities before it is too late.

Strategic planning is also a large problem in the Company. Essentially, strategic
planning does not occur on a formal or effective basis. A strategic vision has never been defined for the Company, nor are any specific goals or tactics in place. As with many small businesses, planning occurs at a business level where problems are identified and then solutions are found for those problems. When asked what the Company’s mission was, the President outlined five areas:

- To be the best provider of business equipment, supplies, furniture, and services in the Company’s markets.
- To be the best point-of-sale (POS) machines, supplies, and services in the Company’s markets including grocery, hospitality, liquor store, and convenience stores.
- To satisfy customer needs that require thought, intelligence, and service in a 168 hour week basis.
- To treat our fellow associates with respect.
- To conduct business in an superior ethical manner.

However, this mission statement has never been treated as a formal strategic tool within the company, and the president is sure that each person within the Company would define the mission differently. It is not written down, displayed, or emphasized within the Company. The strategic planning that does occur is done by the President in consultation with a group of people when deciding what products to sell and service or examining expansion options.

Narrowing profit margins are also a significant challenge for the company. The emergence of discount office supply stores, increasingly quicker turnaround on technological advances, and increased expenses associated with running a business have all affected the Company’s narrowing profit margin. By focusing on products that require continued service after the sale, selecting products that will benefit from technological advances and not likely to be eliminated, and by empowering employees to help them see how their efforts, no matter how small, affect the bottom line, the Company is addressing the problem of narrowed profit margins.

The second and third informational interviews discussed the definition of an "entrepreneur" and the "entrepreneurial process," its importance and practicality, and specific examples of both within the Company. The President sees an entrepreneur as a "person that finds needs not satisfied and reorganizes resources to satisfy those needs in a short period of time." In his opinion, it is the time factor that sets an entrepreneur apart from others and not
necessarily that the person is an inventor or incredible risk taker. For example, when POS scanning systems were first introduced into the market but not yet fully accepted as the solution to retail grocery sales systems, the President decided that the timing was right and entered the market as a POS scanning systems dealer for a major manufacturer. Their first sale was the largest in the company's history and significantly affected the Company's financial growth rate, location expansion, and product mix. The Company was given a very large territory and was faced with little initial competition. The decision to sell scanning systems was one of the key factors in opening the first two branch offices in 1981 as POS scanning systems became the Company's primary product.

The President also agreed that entrepreneurs exhibit other characteristics or traits, specifically:

- they create and support change and innovation
- they provide a variety of job opportunities
- they inspire others to entrepreneurial actions
- they accept the resulting risks and rewards of their entrepreneurial actions

Although many business people do not create something new, and there are those that are almost risk adverse, he believes that this should not exclude them from being considered entrepreneurs or practicing "entrepreneurship." Entrepreneurs can support innovations within their organizations, help create job opportunities, and motivate others to be entrepreneurial by supporting the process surrounding entrepreneurial activity. He sees the entrepreneur as a changing breed; much less an individual with an innovative idea, today's entrepreneur is someone who creates and supports an entrepreneurial process within his or her organization. For example, he cites the creation of the internal board within the Company and sharing financial information with employees as very entrepreneurial moves. Both involved risk, encouraged employee empowerment, and enhanced the entrepreneurial process within the Company.

First, the internal board was created in 1989 to relieve the total decision making pressure from the President, turnarounds stagnating profits, growth, and cash flow problems, and give employees a needed sense of purpose and ownership in the Company. The internal board is comprised of six key employees and two business leaders in the community. Meeting every quarter, the internal board addresses policy issues such as profit sharing, health care benefits, and justification for regional locations and decides on alternatives that formerly
the President would have done himself. This "forum for discussion" is seen by employees as a method to affect the direction of the Company and its policies. For the President it is a method of making the results of company decisions more well known and helping employees see the purpose behind jobs. At the same time the President began sharing the Company's financial data (sales figures, profits, expenses, net income or loss) with employees to help them see the how each individual affects the financial position of the Company and "give them control of their situations." Although this information could potentially be harmful to the Company if given to its competition, and this was a concern for the President, employees needed to understand what a significant impact their actions have on profits. With this information the President hoped that employees would feel empowered to make changes that would improve the company's financial position.

These changes in "process" empower the employees in the Company to take action, make changes themselves, and be held accountable for the success of their actions. By supporting a "process" which encourages the entrepreneurial spirit, another planning team of eight employees was created to address company problems other than major company policies. The Company has also recently begun building its own line of IBM compatible computers and is examining the future of touch-screen software for use with POS systems. The planning team concept was a result of the President's years in planning systems as a sales representative for IBM. As a facilitator for this group, his only responsibility is to set up the meeting place and supply the food. He is not involved in the meeting in any manner. For two days away from the office, the selected employees brainstorm five basic questions in order to find solutions for company related problems. The questions are:

- What are the problems?
- What do we do about them?
- Who is going to do it?
- Where do we go from here?
- How do we follow up?

The direct results of the last meeting included hiring a person to help with machine inventory which has been an understaffed position, revising the car plan to turnaround employee dissatisfaction concerning reimbursement, raised questions for service managers to answer concerning more effective service operations, and proposed solutions to problems associated with the building of computers. The employees are expected to follow up and implement
their decisions with his support. Occasionally he has disagreed with their recommendations, for example to hire a service manager, but still follows through with their decision. The President also pointed out that the indirect results of the meeting are just as important. Employees from different functional areas gained an understanding of other aspects of the Company, practiced brainstorming for solutions to cross functional problems, and came to know each other on a personal basis. The President sees this process as very entrepreneurial in its nature.

Building its own line of IBM compatible computers and examining the potential of touch-screen software for use with POS systems are also results of the entrepreneurial process. Pushed forward by an employee with "very high entrepreneurial tendencies," and supported by the President, the line of computers has proven to be a significant revenue producer for the last few years and has created a job opportunity for an employee that used to just do part time deliveries. Although the idea met with much company opposition, the President supported the employee and his idea from start to finish, even though the employee is often disruptive of current Company practices, appears unorganized, and pursues both successful and unsuccessful ventures. The President also supported another employee and his idea of producing touch screen POS software in-house. Although this venture proved unsuccessful, the employee was given the opportunity, financial support, and encouragement to experiment and research the idea. In addition, the President is also paying a key employee to take off from his job and "think about the Company" for a week, and then over the next three weeks "do something about it" such as propose changes to make in any area whether it be in markets, products, or processes. If this venture is successful, the President will do it again next year. Even if nothing results from this idea, it will still be considered a success, because the employee will have received a well deserved "bonus" paid vacation, and he will eventually provoke others to think about the company from his experience. In the President's opinion, all of these examples involve the entrepreneurial process in one fashion or another.

The President also discussed a situation concerning a former Vice President in the Company who had extensive experience in the POS and grocery industry. However, his actions at his branch location were not founded in the mission and goals of the company and did not support employee empowerment. The President described him as a "controller" whose management style was powerful and intimidating. The employees at his location respected but feared him. The Vice President also wanted to split the company into two
separate divisions, one for business products and one for POS systems and the President did not agree with the split. Doing this would cause an unnecessary division in the Company because both aspects are service based, there would be duplication of efforts, and company wide communication would be reduced. In addition, the President owned the Company. Because of their disagreement on this issue and other actions by the Vice President which did not support employee empowerment, the Vice President resigned under pressure. This incident shows that the President supports the entrepreneurial process company-wide and requires that his top management support it also.

Elements of the Entrepreneurial Management Process: Interview Questionnaires

Introduction
As a vital data resource, the interview questionnaire is designed to produce a critical analysis of the entrepreneurial management process within the Company in order to better understand the factors which support as well as inhibit the entrepreneurial management process. The questionnaire examines four major aspects of the entrepreneurial management process:

- it creates and supports change and innovation
- it provides a variety of job opportunities
- it inspires others to entrepreneurial action
- it accepts the resulting risks and rewards of entrepreneurial actions

To better understand these aspects of the entrepreneurial process within the Company, each question focuses on a different aspect of the Company. These aspects are:

- The Company's mission, goals, and objectives
- The Company's leadership
- The Company's strategic position
- The Company's structure
- The interviewed person's entrepreneurial experiences
- The President as an entrepreneur
- Changes within the Company
- Other issues

The method of response to the questions is not structured. Interviewees have complete
freedom in their answers, and they were asked to give candid, honest, and specific answers.

The participants were selected because of their key roles in the Company across all functions and locations. They were guaranteed strict confidentiality throughout the entire research process. A cover letter was sent asking for their participation and explaining the process. After a follow-up call the interview questionnaire was sent to seventeen participants. The President also sent a letter to participating Company associates explaining the research project and expressing his support of it. Of those seventeen, twelve actually responded. These key employees were selected with upon recommendation of the President for a wide range of perspectives within the company. The people are sales people, service technicians, secretaries, bookkeepers, and managers who have a wide variety of experience at the different locations of the Company.

The data included in this chapter is a summary of the responses to each question. The specific questions are listed at the beginning of each section. The number in parentheses after each response indicates the total number of responses similar to the one listed. The President’s responses are indicated at the beginning of each set of responses.

• Question One.

The first set of questions relates to the mission, goals, and objectives of the Company. They are:

1. What are the Company’s current mission, goals, and objectives?
2. How are the mission, goals, and objectives communicated, and how effective is this method?
3. How well does the Company achieve its mission, goals, and objectives?
4. What could be done to improve the achievement of the Company’s mission, goals, and objectives?
5. How does the current mission, goals, and objectives support or inhibit change and innovation within the Company?
6. How does the current mission, goals, and objectives support or inhibit the development of a variety of new job opportunities?
7. Overall, how does the current mission, goals, and objectives support or inhibit the entrepreneurial process?

These questions were asked to discover what the Company’s mission, goals, and objectives
are according to the President, what employees perceive them to be, and their effectiveness in relationship to the entrepreneurial process.

Question 1.1: What are the Company's current mission, goals, and objectives?

The President response:

- To be the best provider of business equipment, supplies, furniture, and services in the Company's markets.
- To be the best point-of-sale (POS) machines, supplies, and services in the Company's markets including grocery, hospitality, liquor store, and convenience stores. (2)
- To satisfy customer needs that require thought, intelligence, and service in a 168 hour week basis. (4)
- To treat our fellow associates with respect. (3)
- To conduct business in a superior, ethical manner. (3)

Other employee responses include:

- Do superior work in service/sales/etc (4)
- Associates be the best they can be (4)
- Market technically superior products (3)
- Best sales/service at competitive price (3)
- Profitability (3)
- Productivity (2)
- Customer service and satisfaction (2)
- Service better than competition (2)
- Run honest and professional business
- Quick sales/service response to customers
- Associates jobs interesting and challenging
- Increase market share
- Develop new products

A very significant answer from an employee should also be noted:

- No formal mission/goals/objectives

Question 1.2: How are the mission, goals, and objectives communicated, and how effective
is this method?

The President's response:

- Newsletter (7)
- Periodic meetings at locations (4)
- Individual meetings twice a year (3)
- Daily activities (2)

Other employee responses include:

- Annual Christmas booklet
- President's door is always open
- Through management
- Most communication assumed
- By owner in speeches
- Literature at meetings
- Inter-office communication
- President's actions
- Questionnaires
- Totally verbal
- By sales reps and services
- Word of mouth
- Employee handbook
- Top down and within structure
- Meetings with employees

The responses concerning the effectiveness of these methods varied. Some employees said that these methods were "very good" or "quite effective," especially in relation to the newsletter since it is the only regular and consistent form of communication from the President to the employees. However, many others cited "communication problems" or said that they are "not very good methods at all." One employee pointed out that the mission, goals, and objectives "should be clear in every associate's mind, stated at the time of employment, and constantly reminded by fellow associates and managers." Another responded that the goals are not associated with measurements, cannot be quantified or delegated, and are very seldom translated into actions or tasks. He said "the average employee has no goals to meet on a daily basis," and another stated that many associates don't
realize their part in the big picture of the company.

Question 1.3: How well does the Company achieve its mission, goals, and objectives?

The President’s response:

- The best provider of business equipment, supplies, furniture, and services in the Company’s markets or close.
- Depending on the region, the best/average/improving provider of point-of-sale (POS) machines, supplies, and services in the Company’s markets.
- The Company is achieving goal of addressing our customers’ service needs.
- This is demonstrated daily, although can try to empower employees more, especially with the service and support people.
- Very good at honesty and ethics and it must be reinforced starting at the top.

Other employee responses include:

- Pretty good or fairly well (4)
- Achieve mission very well
- We give 110%
- Average
- Getting better
- Some problems from rapid growth
- Profits not great

Question 1.4: What could be done to improve the achievement of the Company’s mission, goals, and objectives?

The President’s response:

- In order for the goals to be accomplished, they must be owned by Company associates. And they must be known before they are owned. I need to continue to improve this process -- it’s too weak now. (4)

Other employee responses include:

- Managers communicate the mission/goals/objectives with associates (2)
- Associates given more responsibility to control their destiny, customers, and the company (2)
• Have clear, written, measurable, and attainable goals that are formulated by key personnel participation and established in each department (2)
• Create a road map of where we are now, where we are going, and how we get there
• Continue what we’re doing now - awareness of goals through newsletters/meetings (2)
• More structure to the Company
• Work more as a team to satisfy customers
• Better communication between locations
• President spend more time at locations
• Better profitability in operations
• More advertising since very little done
• Improve employee benefits to prevent excessive turnover

Question 1.5: How does the current mission, goals, and objectives support or inhibit change and innovation within the Company?
The President’s response:
• The goals support change and innovation except high ethics are anti-change. (6)

Other employee responses include:
• To be the best supports change and innovation (3)
• The market drives innovations (3)
• Encourages employees to do old and new things in a better way (2)
• Before internal board and objectives were in peoples minds it was not supported but now innovations are supported for improvement
• Innovation and change either “happens or not” -- the President empowers everyone to contribute, but the system does not enlist everyone’s participation towards goals and only a small percentage participate

Question 1.6: How does the current mission, goals, and objectives support or inhibit the development of a variety of new job opportunities?
The President’s response:
As we grow into new products and services, job creation will continue. Our past indicates that we have been successful. (8)

Other employee responses include:
- Mission and goals support new job opportunities (3)
- The Company's positive environment fosters ideas and jobs
- Supports those willing to take risks and try new ideas
- Jobs added to control growth areas
- Fewer constraints than before so its easier to pursue opportunities
- New job training is always necessary

Question 1.7: Overall, how does the current mission, goals, and objectives support or inhibit the entrepreneurial process?

The President's response:
- In my opinion, the foundation for any long-lasting success is servicing the customers needs, respect for the individual, and integrity in all of your business dealings.

Other employee responses include:
- Allows us to grow when we accomplish them (3)
- The President is committed to the growth of people and supports the entrepreneurial process (2)
- Supports it by supporting change, ideas, employment opportunities (2)
- Mission, goals, objectives lead to entrepreneurial initiative rather than stifle it
- It is ineffective because mission, goals, objectives are informal and not well defined
- Not everyone knows the mission and goals so the process doesn’t progress well

- Question Two.

The second set of questions relates to the Company's leadership. They are:
1. Who are the people that fill the leadership roles in the Company, and how effective are they as leaders?
2. How do they support or inhibit change and innovation?
3. How do they support or inhibit the development of a variety of job opportunities?

4. Are these leaders entrepreneurs, and how do they inspire or discourage others to take entrepreneurial action?

5. Overall, how do they support or inhibit the entrepreneurial process?

These questions were asked to learn about the Company's leadership and its effectiveness in relationship to the entrepreneurial process.

Question 2.1: Who are the people that fill the leadership roles in the Company, and how effective are they as leaders?

The President's response:

- The President listed 6 people other than himself as leaders in the Company. The six individuals received (8) (6) (5) (4) (2) (2) listings in the responses.

Other employee responses include:

- The President received (9) listings, and the other three responses not listing his name were written in the context that it was understood he is a Company leader.

- Employees listed 10 additional people as Company leaders. Of these ten, individuals received (5) (3) (3) (3) (2) (2) (1) (1) (1) listings in the responses.

- It should also be noted that the internal board and managers were listed.

The responses concerning leadership effectiveness varied. The President is seen as an effective leader because of the successful growth of the Company, his openness to ideas and their implementation, his respect for employees and they for him, his participative management style, and his guidance of the organization. He is described as positive, confident, empathetic, energetic, creative, and flexible to new ideas and methods. He also appears confident to his staff, assumes the best, and acts fast. Overall, the leadership in the Company is described as being generally effective, although there are problems. One particularly insightful response pointed out that "there exists a big gap between the President and other leaders in the Company." Those that are probably listed really are only slightly more than any other employee in the company. "There is so much individual empowerment granted" that there is little individual leadership, and "most march to their own drummer."
Question 2.2: How do they support or inhibit change and innovation?

The President’s response:

- They do so by their actions, by changing things, and by their "can do" attitude.

Other employee responses include:

- In relation to the President, as a leader most (10) say he supports innovation for the following reasons:
  
  He involves associates in feedback for product selections.
  He listens to outside people involved in the internal board for feedback.
  He encourages people to be their best and listens (4) to their ideas.
  He schedules meetings to share ideas, set goals, and evaluate performance.

  However, one response indicated that his leadership style is usually one on one and task (problem) oriented, and 6 to 10 times last year an area which he gave direction and leadership was not followed through with because his open, empowering leadership style left it open ended. A written task or proposal system would solve this problem.

- In relation to other leaders in the Company, most (10) were said to support innovation and change. But because it’s a small company with a flat structure, and jobs are very task oriented, there is a problem of carrying through with any innovation or change due to the lack of time of those that need to spend time implementing the innovations or changes. So the leadership that there is other than the President often remains largely unfollowed.

Question 2.3: How do they support or inhibit the development of a variety of job opportunities?

The President’s response:

- They do it by selling which builds the installed base of customer and requires more service and support personnel.

- They do it by bringing things internal (P&L, payroll, etc) which creates job opportunities inside the Company.

- "Ideas" people have ideas that grow and cause jobs to result.

- Some leaders in the company do not affect job opportunities.
• The growth of the computer area has positively impacted job opportunities. Other employee responses include:
• Leaders support job opportunities if they support change.
• Overall, the leaders of the Company, including the President, support the development of new job opportunities. (11)
• The President makes employment decisions based on other employee feedback and internal board recommendations.
• The President is seen as an "enabler" and most leaders accept or adopt this management philosophy where employees think for themselves and take initiative.
• There is always the opportunity to do more, but again, the "lack of time" problem can prevent the follow through in a new area.
• One response indicated that because of the "enabler" philosophy of significant company leadership, there is a lack of directional leadership which prohibits some job opportunities.

Question 2.4: Are these leaders entrepreneurs, and how do they inspire or discourage others to take entrepreneurial action?

The President’s response:
• Two associates in the Company have owned businesses and have experienced the entrepreneurial spirit firsthand. He has not seen how they inspire or discourage others to take action in an entrepreneurial way.

Other employee responses include:
• In relation to the President he is cited as a leader who does inspire entrepreneurial action (9): The President often goes to extremes to try to have people make their own decisions. However sometime he does not because he has always taken action on his own. He inspires others by his actions and work behavior, gives verbal and written praise for outstanding performance, and he leads by example.
• In relation to other employees, of those cited (8) responses indicated leaders were entrepreneurial and (4) responses indicated that leaders were not entrepreneurial. Again, those that are entrepreneurial leaders are so by their
actions, work behavior, and example. Some have problems communicating. The Company has mixed leadership styles; those that have the ideas (entrepreneurial) and those who administer them (potentially anti-entrepreneurial). Focus isn’t on being entrepreneurial though. It’s on keeping up with work, sales, and doing one’s job.

- Most of the leaders in the company like to think they are entrepreneurial and are a driving force in the company. Except for the President however, most seem to lack the ability to get employees excited about taking initiative and decision making control (maybe because the President is known to have the final word in any decision anyway).

- Some leaders are just yes sir, no sir people when relating to the President and lack initiative and individual thinking. Overall these leaders discourage other employees from getting involved. Their initiative and ability to think on their own really depends on their relationship with the President.

Question 2.5: Overall, how do they support or inhibit the entrepreneurial process?

The President’s response:

- He believes they do support it because they are “agents of change.”

Other employee responses include:

- In relation to the President, (9) responses cited him as supporting the entrepreneurial process by supporting employees to make decisions, overall company growth, provides direction individually, having a positive personality, and again an “employee empowerment” philosophy.

- In relation to other leaders in the company, (8) responses indicated that they supported the entrepreneurial process and (4) indicated that they did not support the entrepreneurial process. Because the Company’s structure is so flat, some leaders have little or no effect, and on the average, they just maintain business. Full potential for entrepreneurial development is not always achieved because of this.

- It should also be noted that one response said “the successful entrepreneur has successful people working along his/her side, not under them. This is what the President does well but the people at his side do poorly. They have
people working under them."

- **Question Three.**
The third set of questions relates to the Company’s strategic position. They are:
1. What are the Company’s current strengths, weaknesses, opportunities, and threats?
2. How do these factors support or inhibit change and innovation?
3. How do these factors support or inhibit the development of a variety of new job opportunities?
4. Overall, how do these factors support or inhibit the entrepreneurial process?

These questions were asked to learn about the factors of the Company’s strategic position in relationship to the entrepreneurial process.

**Question 3.1:** What are the Company’s current strengths, weaknesses, opportunities, and threats?

**The President’s response:**

**Strengths -**
- Good people with a sense of responsibility (overall 10)
- Good products and a market that needs those products (5)
- Strong ethical corporate actions
- Strong service/support history (2)

**Weaknesses -**
- Lack of good planning - too reactive
- Lack of controls and measurements (2)
- Lack of trained people in some areas (2)
- Dependence on one person and the lack of depth in some areas, i.e. bookkeeping or sales (2)
- No clear successor plan for my job

**Opportunities -**
- Continual growth of computer and connectivity products
- Convenience store market in POS
- Computer services, i.e. training

**Threats -**
• Growth can limit ability to change as fast as necessary (2)
• Growth in some regions of competing POS threat
• Erosion of service base because of inattention to preventative maintenance or market controls
• Software offerings by wholesalers

Other employee responses include:

Strengths -
• The greatest strength of the Company is its capable and dedicated employees (10)
• The Internal Board of employees and outside business people (2)
• President’s visits to Company offices to speak individually with employees
• The Company’s marketing plans
• Growing customer relationship base (2)
• Product knowledge
• Honest leadership
• Willingness and flexibility to pursue new markets and ideas (2)
• Recognized by customers for commitment to quality service
• Multiple offices and scale of operations gives the Company a better market position

Weaknesses -
• Lack of employee training in all aspects of the business (2)
• No new employee introduction to the Company
• Unused computer and information resources (2)
• Low Company profits
• Unclear lines of managerial authority due to lack of structure and goals (2)
• Company wide lack of product knowledge outside of sales and service
• Lack of effective communication and coordination between locations (3)
• Excessive paperwork due to rapid growth
• Collection problems with customers
• Poorly communicated goals and objectives
• Overworked key employees inhibits performance

Opportunities -
• Expand sales and service markets (3)
• Fully use computer information programs
• Building better communications within the company
• Personal employee growth of self worth and confidence
• Selling of "the total solution package" (2)
• Customer references for large package system sales
• Upgrade existing customer technologies
• Expand "third party" maintenance revenues to encompass remote servicing of equipment

Threats -
• Lack of control in business processes
• Attitude of unhealthy separatism between locations
• Decreasing market share because of increased competition from superstores and mail order as products become commodity items (4)
• Decreasing profit margins
• Hardware and software requiring less service and more product knowledge training (2)
• Cash flow shortages
• Technological changes are occurring at increased rates

Question 3.2: How do these factors support or inhibit change and innovation?

The President’s response:
• Strengths support change
• Weaknesses inhibit the ability of the Company to make the changes it needs to respond to market changes
• Opportunities create the need for innovation
• Threats force changes upon the Company

Other employee responses include:

Strengths -
• The Company’s strengths, specifically its people and their willingness and flexibility to try new ideas, the internal board, and location visits by the President, all support change and innovation. The "let’s try it" attitude of
most employees does more for creativity and innovation than anything else. The internal board and location visits by the President also offer the opportunity to share ideas.

- The President "is a strong leader of support of changes."
- "Our openness to pursuing change fosters change."
- Because it is a relatively small, highly participative company, a janitor, bookkeeper, or secretary can and will raise questions and ideas. This supports change.

Weaknesses -

- Overall, the weaknesses of the Company prevent it from making changes in a timely, effective manner. Reactive planning, unclear goals and authority structure, untrained employees, and the lack of operational controls all inhibit the change and innovation process.

Opportunities -

- Opportunities can create the need for innovation and change. As the Company has the chance to expand its markets, stimulate employee growth, and upgrade customer technologies, there may be the need to change company practices to capitalize on these opportunities.

Threats -

- Threats, such as a decreasing market share from competition, increased speed of technological changes, uncontrolled business processes, and problematic cash flow and profit margins, force change and innovation upon the Company. Change and innovation must occur to improve the Company’s decreasing competitive advantage resulting from the threats.

Question 3.3: How do these factors support or inhibit the development of a variety of new job opportunities?

The President’s response:

- The Company’s strengths support existing jobs.
- Good people seize opportunities for customer service, new products, or new markets and act on them. This creates jobs. (3)

Other employee responses include:
• The attitude that there is a willingness and support for new ideas creates an atmosphere for new job opportunities. (2)

• New market development and sales and service growth create new job opportunities and changes in job descriptions. (6)

• Threats both inhibit and support new job opportunities based on what they are. Whereas lower profit margins reduce the working capital necessary to take on a product, market, or additional personnel, they can also force the Company to make changes in jobs. (2)

Question 3.4: Overall, how do these factors support or inhibit the entrepreneurial process?

The President’s response:

• Opportunities create conditions for entrepreneurial activities.

• Giving responsibility and accountability to employees fosters entrepreneurs within the Company. For example, the decentralizing of the regional sales offices should lead to faster, more profitable growth.

Other employee responses include:

• Weaknesses and threats, such as the lack of communication, "bog down" the daily work processes inhibiting entrepreneurship. (2)

• Strengths, especially the Company’s people, overcome the Company’s weaknesses and support the entrepreneurial process by its nature. (5)

• All aspects of the Company’s S.W.O.T. can be guided into a situation that supports the entrepreneurial process with leadership by key people. "These things cause us to figure out what we have to do to compete." (2)

• Question Four.

The fourth set of questions relate to the structure of the Company and its relationship to the entrepreneurial process. They are:

1. What is the organizational structure and communications structure of the Company? You may also diagram these structures.

2. How do these structures support or inhibit change and innovation?

3. How do these structures support or inhibit the development of a variety of job opportunities?
4. Overall, how do these structures support or inhibit the entrepreneurial process?

Question 4.1: What is the organizational structure and communications structure of the Company? You may also diagram these structures.

The President’s response:

<table>
<thead>
<tr>
<th>Area #1 Service Office</th>
<th>Area #1 Sales</th>
<th>Area #1 Corporate Finance</th>
<th>Area #2 Sales and Service</th>
<th>Area #3 Sales and Service</th>
<th>Area #4 Sales and Service</th>
<th>Area #5 Sales and Service</th>
</tr>
</thead>
</table>

Other employee responses include:

- Every single corporate and communications structure listed was different. Everyone recognized the President’s office, but after that the answers varied. Essentially, the Company does not have a recognized, formal organizational structure. Each response can be correct when considering the perspective of who is responding. This indicates that not many employees see the "Big Picture" of the Company’s structure and the lines of accountability are unclear and limited to individual efforts.

- Some responses indicated that the Internal Board was part of the structure immediately following the President and then the various regional locations.

- Most responses indicated a structure in which the main office in Area #1 was the business hub of the Company and all other self autonomous regional
offices related to this office, and the President directly. Each regional office has a sales, service, and office staff. Communications methods in this structure consist of daily envelopes transfers, telephone calls, and faxes sent back and forth between offices. (4)

- Another indicated that the Company followed a typical top down corporate structure. It went President, vice-president, and then for each location an office manager, service manager and associates.
- One response showed the President, then the accounting functions directly underneath him, and then sales, service, and retail underneath the accounting.
- Another structure showed that the President had a direct relationship with each office manager and each person in the corporate office, sales, and service in Area #1. This is a span of over 20 people to manage and very realistically could be considered the Company’s communications structure.
- The structure is very loose knit because of the President’s accessibility. In essence, there is no formalized organizational structure that each employee recognizes. (2)
- Several responses indicated that the communications structure needs work. There are no guidelines for communicating with associates or different offices. (3)

Question 4.2: How do these structures support or inhibit change and innovation?

The President’s response:

- He believes the lack of levels and layers increases the response to the need for change and encourages innovation.

Other employee responses include:

- The structures that include the internal board support change and innovation because it serves as method to share ideas to implement changes. The president listens to the internal board’s recommendations and usually implements what is agreed upon. "He still has the final say however, and if he isn’t satisfied with the board’s recommendation, he studies it and acts on it at a future meeting. He has definitely been open and receptive to their ideas." (2)
Some responses indicated that the organizational structure inhibits change and innovation. This is because of the lack of organizational structure and therefore unclear lines of authority, unclear channels of communication, or the fact that accountability can easily be passed off on someone else. Innovation and change is inhibited because employees often don’t know who to turn to in order to implement ideas. (4)

Another response indicated that the structure inhibited change because "most decisions require financial and manpower commitments and are 'up to the President,' and when ok'd, require him to accomplish all of the communications to an effective span of 18-22 people which doesn’t happen, causing the change process to bog down or fail."

At the same time, the loose knit and informal organizational structure supports change and innovation. If an associate has an idea for a change or innovation, "this structure makes it easily heard." Each person in this structure is in a position to help make decisions and implement changes. (2)

Question 4.3: How do these structures support or inhibit the development of a variety of job opportunities?

The President’s response:

- He doesn’t think they affect job opportunities - the structures just exist.

Other employee responses include:

- Most responses indicated that the organizational and communications structures inhibited the development of job opportunities for various reasons. (5) The communication problems resulting from the structure inhibit the success of new job opportunities.

- The President’s direct involvement in final decisions can also inhibit the development of job opportunities. He gives the final ok to all new employment positions and opportunities and this can give employees the feeling that their "ideas or decisions don’t count." (2)

- Currently this organizational structure is only supporting the development of "non-income making titles" in management for the control of the business, and not positions that support creativity and innovation.
• At the same time, the organization’s loose knit structure and accessibility of the President support change and innovation which often are accompanied by new job opportunities. Employees are always encouraged to grow and explore.

Question 4.4: Overall, how do these structures support or inhibit the entrepreneurial process?

The President’s response:

• More employee independence supports the entrepreneurial process and this structure will continue to support it.

Other employee responses include:

• The internal board, as part of the Company’s organizational structure, has been very beneficial in allowing the associates a voice in major company decisions and concerns. For example, the solution to the Company’s inventory control problems was a result of several internal board meetings at which employee concerns and observations about it were discussed. There was a lack of controls, and procedures were not followed by those responsible for inventory control at various locations. This was the result of inadequate training and monitoring of the system. The internal board suggested that a person be assigned to correct the problem even if that meant challenging the vice president who was in charge of a problematic region. The internal board supported this person who then began to solve the problem. In this process, employee concerns were listened to and changes enacted based on their input and a new job opportunity presented itself.

• Again, the lack of communication between regions and employee functions inhibits the overall entrepreneurial process. (2)

• Overall, the responses were mixed since the loose knit structure promotes independence and therefore the entrepreneurial process (2), and the unclear lines of authority and communication inhibit the entrepreneurial process. (3)

• Question Five.

The fifth set of questions focuses on the interviewed person’s entrepreneurial experiences. They are:
1. What is your current role within the Company? How long have you been with the company? What decisions do you make for the Company? What do you focus your efforts on?

2. Do you consider yourself an entrepreneur within the Company? Do you fit the following entrepreneurial criteria:
   - create and support innovation and change
   - provide a variety of job opportunities
   - inspire others to entrepreneurial action
   - accept the resulting risks and rewards of your entrepreneurial actions

3. How do you support or inhibit change and innovation within the Company?

4. How do you support or inhibit the development of a variety of job opportunities?

5. How do you inspire or discourage others to take entrepreneurial action?

6. Overall, how do you support or inhibit the entrepreneurial process?

7. How much importance do you place on the entrepreneurial process within the Company?

8. What entrepreneurial experiences have you initiated, been involved with, or observed within the Company?

These questions were asked to learn about each employee's entrepreneurial experiences, if they are entrepreneurs, and their relation to the factors of the entrepreneurial process.

Question 5.1: What is your current role within the Company? How long have you been with the Company? What decisions do you make for the Company? What do you focus your efforts on?

- The responses to this question are included in the Company President Profile and Introduction to the Interview Questionnaires.

Question 5.2: Do you consider yourself an entrepreneur within the Company? Do you fit the following entrepreneurial criteria:

- create and support innovation and change
- provide a variety of job opportunities
- inspire others to entrepreneurial action
- accept the resulting risks and rewards of your entrepreneurial actions
The President's response:
- "Yes, I do."

Other employee responses include:
- Of the 12 people interviewed, 10 considered themselves to be entrepreneurs, according to the criteria, within the Company. (10)
- The two employees who did not consider themselves entrepreneurs acknowledged that they did exhibit partial entrepreneurial characteristics.

Question 5.3: How do you support or inhibit change and innovation within the Company?

The President's response:
- He tries to make people feel free to make mistakes. "From mistakes comes knowledge and the confidence to try again. We learn more from our mistake than from our successes."

Other employee responses include:
- Overall, they support change and innovation with open communications about new ideas, listening to new ideas, following through with solutions and results, introducing new ideas, remaining committed to the details of a change, supporting new and better information, and "seeding" ideas for growth. (12)

Question 5.4: How do you support or inhibit the development of a variety of job opportunities?

The President's response:
- Vendors come to the Company with opportunities and customers ask for products and services. The Company President, with employee input, then decides to supply them or not.

Other employee responses include:
- Most employees support the development of a variety of job opportunities (7) although the job opportunities were not specifically stated. Job opportunities are seen as the results of changes or solutions to problems if necessary and the result of profitable growth and new product introductions.
Question 5.5: How do you inspire or discourage others to take entrepreneurial action?  
The President’s response:

- The more customary entrepreneurial actions are, the more apt employees are to take chances and risk change.

Other employee responses include:

- Entrepreneurial actions are inspired in others by good leadership, listening to and sharing ideas and helping others think of ways to present them to the President or internal board (3), encouraging others to take risks and be responsible for those risks (3), exhibiting a "can do" attitude, and as managers, giving employees responsibility and the freedom of trial and error. (2)

Question 5.6: Overall, how do you support or inhibit the entrepreneurial process?  
The President’s response:

- He is a role model, gives encouragement to others, and encourages communication among associates.

Other employee responses include:

- Each response indicated support for the entrepreneurial process. (10) Overall, this occurs by building and maintaining supportive working relationships between employees (2), listening to and encouraging new ideas, risks, and changes (4), having an open minded attitude (2), and encouraging effective communication.

Question 5.7: How much importance do you place on the entrepreneurial process within the Company?  
The President’s response:

- "It’s important, but not the most important thing." He doesn’t believe most Company associates want to stretch themselves that much or spend the time and thought that is necessary.

Other employee responses include:

- Until this interview, very few employees had thought of change and innovation, job opportunities, and risks and rewards in the context of the
entrepreneurial process.

- It is very important because changes and risks bring about growth opportunities, and without it, the Company would not last in its business. It is a process that is never complete. (7)

- A few responses indicated that the entrepreneurial process was not that important. Instead, if a company uses basic business practices that involve employees in the decision making process and focus on taking care of their customers, "the entrepreneurial process will automatically take place." Also, the entrepreneurial process must be supported by controls, teamwork, and procedures so as to achieve a balance and a better financial result. (2)

Question 5.8: What entrepreneurial experiences have you initiated, been involved with, or observed within the Company?

The President's response:

- He has enabled good people to get better. He encourages regional sales managers' growth as well as others in the Company. Employees encourage others to take risks. One of the best exhibitors of entrepreneurship at the Company is referred to as a "wild duck" by the President and is supported by him.

Other employee responses include:

- One employee headed the way into getting a full time parts inventory employee for the service center in Area #1. After employee input about the need for this position, this person was the vehicle to get the go ahead and ok from the President to do it. Also, he is on the internal board so people use him as a means to voice concerns and bring opportunities into the Company. He believes "it is very important to listen to employee concerns and then take correct action in a timely manner."

- One employee helped start POS systems as a major part of the Company's business and is responsible for opening two new sales territories.

- Another employee was also directly involved in developing POS system sales as a major part of the Company's business as well as computer sales. He also directly helped develop two regional offices and participated in the set up of
three other regional offices.

- One employee was directly responsible for bringing the financial systems from an outside source internally and setting up the books for new offices. She has seen new offices start from the ground floor as well as grow from the addition of key people. She has also seen the President take chances with new products, new situation, and new people time and time again.

- Another employee took on the newly created position of Service Manager, helped computerize maintenance contracts, and develop a method to better control the parts inventory. He also played a key role in the development of building the Company's own computers.

- One employee was responsible for upgrading the appearance of regional office's retail store and finding a way to cut inventory.

- One employee who is viewed as an entrepreneur within the Company has launched a sales training program, market development ideas, and a computer assembly line of the Company's own line of computers to more than triple the Company's computer sales from over a year ago. He developed and trained service technicians in remote locations and in Area #1 in order to reduce service costs while improving response time. He also extensively researched and then entered network and integration markets, as well as established a computer customer training section including staffing and training.

- Another employee has spent extensive effort analyzing the perceived needs of POS customers to be sure the Company offers a product that it can effectively support, mainly a future focus on system level products and solutions including software selection and design. This is critical as computer based POS products become more pervasive in the market.

- Question Six.

The sixth set of questions deals with the President as an entrepreneur. This question was not answered by the President. The questions are:

1. What role(s) does the President fill within the Company? What decisions does he make for the Company? What does he focus his efforts on?

2. Is the President an entrepreneur within the Company? Does he fit the
following entrepreneurial criteria:
- create and support innovation and change
- provide a variety of job opportunities
- inspire others to entrepreneurial action
- accept the resulting risks and rewards of his entrepreneurial actions

3. How does he support or inhibit change and innovation within the Company?
4. How does he support or inhibit the development of a variety of job opportunities?
5. How does he inspire or discourage others to take entrepreneurial action?
6. Overall, how does he support or inhibit the entrepreneurial process?
7. How much importance does he place on the entrepreneurial process within the Company?
8. What entrepreneurial experiences has he initiated or been involved with within the Company that you know about?

These questions were asked to discover the President’s entrepreneurial characteristics and how he relates to the entrepreneurial process within the Company.

Question 6.1: What role(s) does the President fill within the Company? What decisions does he make for the company? What does he focus his efforts on?
- This information is included in the Company President Profile and Introduction to the Interview Questionnaires.

Question 6.2: Is the President an entrepreneur within the Company? Does he fit the following entrepreneurial criteria:
- create and support innovation and change
- provide a variety of job opportunities
- inspire others to entrepreneurial action
- accept the resulting risks and rewards of his entrepreneurial actions

Employee responses include:
- Yes, the President is an entrepreneur within the Company according to these criteria. (11)

Question 6.3: How does he support or inhibit change and innovation within the Company?
Employee responses include:

- Overall, if a change or innovation is in the Company's and the associates' best interest, he pursues and supports it. He is flexible and ready to change if it improves the Company. (2)
- He is a "let's do it now" person and has to be for the Company to progress.
- The President always looks at the best in people and allows individuals to grow.
- He promotes activities which recognize and reward people that do uncommonly good work. For example, a written nomination procedure exists which could result in an employee being rewarded with a trip to Hawaii.
- The President directly supports an individual who is recognized as an entrepreneur and innovator who's main job within the Company is to explore new ideas and opportunities.
- As President he listens to new ideas, promotes idea exchange, and his door is always open. However, it is easier for him to accept smaller ideas than bigger issues, partly because he tries to handle everything himself, is the final decision maker, and is use to controlling all aspects of the business. (3)
- "In some ways the President inhibits change and innovation because he tries to handle everything himself." He inhibits by not being able to "juggle all of the pins," resulting in miscommunications with those involved, forestalling decisions until they are forgotten, and not making policies clear and consistent. He doesn't have the time to get involved with every problem or opportunity and needs people that can run parts of the business so the Company "can take faster and more in-depth looks at opportunities." (2)

Question 6.4: How does he support or inhibit the development of a variety of job opportunities?

Employee responses include:

- The President supports new job opportunities by exploring new products for the Company to support, expanding the Company's product territories with new regional offices, encouraging employee growth and increased responsibility within Company, by taking risks with unsure results, and by
committing financial resources to these opportunities. (11)

Question 6.5: How does he inspire or discourage others to take entrepreneurial action? Employee responses include:

- The President inspires others to take entrepreneurial action within the Company by being an example for employees to follow. He trusts his employees and their opinions and encourages them to take risks and develop new ideas by standing behind them in their actions. The President also offers suggestive criticism, positive comments, and recognition for employees work. He lets employees make their own decisions; however, the President is the final decision maker for the Company, especially when it comes to larger issues. This issue may give an employee the feeling that his or her ideas for change and innovation don’t really matter if the President is to change it or throw it out. (11)

Question 6.6: Overall, how does he support or inhibit the entrepreneurial process? Employee responses include:

- The President supports the entrepreneurial process by being open to change, progressive ideas, and new products. He encourages employees to support this process also, and is willing to take financial risks to support changes, growth, and expansion. Most importantly though, he "accepts that mistakes can be made and can look past them and give another opportunity" to an employee. Once again, "he strongly believes in enabling others -- empowering others -- to make their own decisions." (11)

Question 6.7: How much importance does he place on the entrepreneurial process within the Company? Employee responses include:

- Almost every response indicated that the President places a lot of importance on the entrepreneurial process within the Company. (7)

Question 6.8: What entrepreneurial experiences has he initiated or been involved with within
the Company that you know about?

Employee responses include:

- As the final decision maker, the President has been involved with almost every entrepreneurial action taken in the Company, including:
  - In the beginning, the purchase of the Company.
  - The development and expansion of POS systems as the Company’s primary product.
  - The expansion into five new regions requiring the creation of new offices and staff.
  - The creation and development of the Company’s own line of computers and the development of retail computer center in Area #1’s retail store.
  - The promotion of office staff to sales positions.
  - The development and investment outside of the Company in a copy shop business, a graphics screening business and other operations that have not been successful.
  - Personally developed the internal board for the Company.
  - The selection of manufacturers to represent.
  - The promotion of employees within the Company and selection of regional managers that are successful, driven, and open to change.
  - The separation of the service center from the retail office in Area #1 to allow individual office autonomy.
  - The acquisition of a competitors assets and personnel in Area #2.
  - The support of sending staff to formalized seminars dealing with self-realization and empowerment.
  - The establishment of the Hawaii trip winning incentive program and nomination procedures.

- **Question Seven.**

The seventh set of questions dealt with changes within the Company. They are:

1. What significant changes or innovations have occurred within the Company since you’ve been with the Company? Who initiated these changes or innovations and for what reasons? What impact did these changes or innovations have on the Company?

2. What new variety of job opportunities have been developed within the
Company since you’ve been with the Company? Who initiated the
development of these job opportunities and for what reasons? What impact
did these new job opportunities have on the Company?

3. What changes are occurring now within the Company and what changes do
you see occurring in the future? What impact will these changes have on the
company?

These questions were asked to learn about the changes within the Company and how these
changes relate to the entrepreneurial process.

Question 7.1: What significant changes or innovations have occurred within the Company
since you’ve been with the Company? Who initiated these changes or innovations and for
what reasons? What impact did these changes or innovations have on the Company?

The President’s response:

- A significant change he initiated three years ago in December is the sharing of
  personal goals and financial information to a group of people that he trusted.
  This group was the Vice President, sales and service people that had been
  with the Company for an extended period of time, and certain corporate office
  staff. They spent two days together and at the end of those two days came
  out with a series of recommendations for him. Two important
  recommendations that he acted upon were:
    • Hire a service manager for Area #1
    • Hire an office manager for Area #1

- Because of the investment of the time of those eight, the Company began to
  move. That group became the Internal Board for the first year. They didn’t
  propose a board…it just seemed reasonable that they would become one.

- Another significant change is the increased pressure to reduce profit margins.
  Seldom, if ever, did 10% discounts exist (except on quantities) until five years
  ago. Even then, discounting on machines was seldom occurred. Discounting
  now is a commonplace and as a result gross profit margins have slipped.
  While margins have slipped, customers expect service to be better and faster.
  And the competition can deliver it, so the Company must too.

- The growing importance of little things to make a profit and stay in business
is also a change. As a whole, the Company is beginning to focus on the little things in the business. People are more likely, and it is more possible, to do this if many people are watching expenses, waste, and operating effectiveness rather than a few. A direct result of this has been a conscious effort to make all Company associates realize they are in control and they must help to make a difference. To not do so endangers the Company’s survival. The survey on empowerment is an indication that they are moving that direction.

• Specific major changes include:
  POS - Nurtured and supported by key employees until it was the Company’s largest single product which accounts for more than 50% of total sales.
  • COMPUTERS - Initiated by an employee described as a "pure entrepreneur" in the Company. Computers are now the second largest product family for the Company and have grown dramatically in two years.
  • FURNITURE (USED) - Initiated by an employee who initially worked in the Corporate office. Used furniture continues to yield good profits in a market that drives margins continually downward.
  • FURNITURE (SYSTEM) - Initiated by a salesperson, furniture systems have been a profitable area for the Company for the past 5-6 years.
  • COMPUTER MAINTENANCE - Initiated by two service technicians, this is a new area in the Area #1 service department.
  • OVERALL, as a consequence of growth, the Company has lost some of the small company spirit it used to have.

Other employee responses include:

• The President’s sharing of financial information and the creation of the internal board.
  • Hired a receptionist to channel phone calls as the Company grew.
  • Creation of the bookkeeping office for A/P, A/R, P&L, payroll, and collections which included a computerized accounting system.
  • Separation of the service department to give it autonomy which created several positions.
  • Designation of employees as associates.
  • Institution of profit sharing plans.
  • Creation of a bi-weekly newsletter from the President that is sent out with
payroll. It helps explain the Company's financial position to employees, new happenings in the Company, and personal notes about employees.

- The creation of the computer center in Area #1's retail store as well as the manufacturing of the Company's own computers.
- Over the years there has been a general shift in products and operations from manual systems to computerized systems which requires employees to be more computer literate.
- In POS systems the trend is increasingly becoming computer based systems relying on third party software.
- The Company has become far more professional than they were a decade ago in the services they offer as well as personal development.
- Behind most of these changes, the President was the driving force.

Question 7.2: What new variety of job opportunities have been developed within the Company since you've been with the Company? Who initiated the development of these job opportunities and for what reasons? What impact did these new job opportunities have on the Company?

The President's response:

- He was the 13th person to join the Company which now numbers more than 70. This is approximately a 10% employee growth rate per year over 18 years. New products and sales areas made opportunities for capable people in the Company. They initially had three locations and now there are six and a separate service serving four states. Jobs are more technical and better paying. The service hours used to be six days per week and pay was barely minimum livable wages. All office staff worked six days per week too for the same reason. Jobs in the Company have changes for the better in many area.

Other employee responses include:

- In-town sales positions in Area #1 have been developed to better serve customers.
- Bookkeeping positions were created when the Company's financials were brought in-house.
- Sales positions, service secretarial positions, customer service positions, computer software support, parts inventory positions, and bookkeeping
positions were created as a result of growth.

- Most of the job opportunities are the result of growth and expansion or customer needs and were initiated by the President, management or employees that saw a need for a new position to better serve the customer. As the company has grown, jobs have become more task specific, such as a parts inventory person or collections person.

- The newest job opportunity is redefining the role of a service technician to understand the programming and software involved with advanced complicated systems. The job will no longer be as mechanical or technical based repair, but instead a software specialist who works with upgrades and customer questions.

Question 7.3: What changes are occurring now within the Company and what changes do you see occurring in the future? What impact will these changes have on the company?

The President’s response:

- Computers and computer networks becoming more common in POS and business systems

- More autonomy for locations

- More associate financial information for measurement

- Technology is more reliable

- The President sees the growth of jobs in the Company slowing. The Regional areas are not growing in population and as the Company continues to increase its market share in a stagnant market, more reliable technology will limit the need for more service people which are currently a primary area of growth.

Other employee responses include:

- The Company is picking larger and more stable vendors’ products such as IBM, Casio, NCR, Canon, and TEC to sell and support.

- There will be a greater emphasis placed on training associates.

- The direction of the Company will move towards that of a total solutions vendor focusing on being the best in certain vertical markets requiring complex solutions and constant service. This will insure higher profit margins and a competitive niche marketing strategy when facing increased competition
from discount warehouse business supply stores.

- The Company’s growth is focused on strengthening its current position internally and in it’s already existing markets. There is a greater focus on effective controls within the Company in areas such as parts inventory, maintenance contracts, and service response to customer needs.
- New growth will occur in the POS and computer sales and service areas.
- Emphasis will be placed on regional offices being given more autonomy and being held accountable for their profitability.
- Without a company vice president who is accountable for the POS direction of the Company, the President will spend more time at each location restructuring the POS management and decision making processes. There will be greater emphasis on team decisions, a cooperative attitude, and sharing of ideas between key people in the POS area and those involved in specific installs.
- There is the potential to evolve into the leading regional supplier of all computer related products which increases job opportunities and Company revenues.

- Question Eight.

The Eighth question addresses “other issues” that the interviewee would like to address. It is:

1. Please discuss any other issues about the Company that you feel are important.

The President did not answer this question.

Employee answers included:

- The Company should sponsor inter-office visits for employees to promote location communication and understanding. Each employee at one time should visit the main office in Area #1.
- Employees in similar functional areas from all locations should get together at least once a year to share ideas, concerns, and get to know each other.
- For those unable to visit other locations, a video should be made about the Company, its locations, and people. This could be shown when the President visits each location twice a year.
- There should be increased benefits for employees, especially since it’s the
President’s goal for the Company to be the best it can be and for associates to grow. For example, even after a long period of employment with the Company, profit sharing only will total a few thousand dollars. The current incentive program, a trip to Hawaii for an employee, might be seen as a method to increase profits, but "on the most part everyone wants to benefit from their efforts themselves -- not just a selected one or two."

- The President is also sometimes too open, truthful, and trusting with everyone, allowing some people to use him. He does not always explain himself very well; however, he is an excellent boss. He also trusts everyone and "lets a specific few ‘run things’ because he either doesn’t like confrontation or he just wants them to do their own thing to succeed or fail."

- "I feel very fortunate to be at the Company. The President is a quality person, boss, and leader. I wish everyone in the Company had the same opportunity as I’ve had to really know the President. If belief in people can make a company successful, we will always be successful."

- The Company is a growing business, and with the right people will continue to grow.

The following responses are from the employee described as an entrepreneur within the Company.

- The Company needs to shift the sales functions from "generic" sales of computers, copiers, rubber bands, to "product line specific" sales of networks and computer specialties.

- The Company needs to review, revise, and document its administrative procedures to eliminate redundancy and assure communication effectiveness.

- The Company’s inventory methods are mostly manual and labor intensive and need updating.

- The Company’s billing, credit, and receivables software and methods are antiquated and require more employee time and cause customer problems. This area should be totally revamped. "This may be our biggest weakness, and customers are tired of problematic billings."
Entrepreneurial Tendencies Evaluation

Adapted from Entrepreneurship by John G. Burch, "Tendencies Toward Nonentrepreneurial or Entrepreneurial Activity" indicates the different levels of entrepreneurial characteristics that the different variety of entrepreneurs possess.

The top scale indicates the variety of entrepreneurial styles. On this scale the laborer indicates an individual who is the least entrepreneurial whereas an 'inventrepreneur' is the most entrepreneurial. An opportunistic entrepreneur has strong overall entrepreneurial characteristics and is good at spotting and exploiting different opportunities, and an innovative entrepreneur is very strong in all entrepreneurial characteristic areas with an eye for innovations.

The tendency calibrator measures an individual’s entrepreneurial tendencies. Entrepreneurs typically are independence-seeking in that they like to be their own bosses and do not like to be subject to others control, and are wealth-seeking in that they want to make more than just enough to survive. Entrepreneurs are alert to unnoticed opportunities and have a strong tendency for innovation, new ideas, and change. They are venture-seeking and accept the risk of their undertakings. Most entrepreneurs also are very logical, but tend to rely on insight and intuitiveness more than elaborate quantitative analysis. They tend to rely on their instincts to make decisions in uncertain conditions.

According to Burch, "people who possess a preponderance of these characteristics and tendencies are already or can become strong entrepreneurs" (Entrepreneurship, 15). The President of the Company completed this evaluation of his entrepreneurial tendencies and considers himself an opportunistic entrepreneur and innovative entrepreneur based on his entrepreneurial tendencies and experiences with the Company. Appendix 4.1 is the result of his self-evaluation. He considered himself an opportunistic entrepreneur and an innovative entrepreneur. He also ranked himself as having fairly strong entrepreneurial tendencies on the entrepreneurial tendencies calibrator which is gauged from -9 (nonentrepreneurial) to +9 (entrepreneurial). These are his entrepreneurial tendency scores:

- Independence-seeking +4
- Wealth-seeking +2
- Opportunity-seeking +6
- Innovative +3
- Venture-seeking +4
- Risk-accepting +5
- Intuitive +5
Empowerment Survey

Although many companies still struggle to achieve a constant state of employee empowerment, it is important because it makes them feel that they make a difference and that their ideas count. By empowering employees, a company can tap a work force that adapts more quickly to change. Employees will find more satisfaction and enrichment in their work and this reduces turnover in an organization. Within the Company, the President is committed to employee empowerment. The following survey is taken from Kieran Folliard and Teresa Fudenberg's article "How to Inspire Your Employees' Loyalty" in the July/August 1991 issue of Minnesota Ventures. According to the article, "Spreading commitment through the company requires you to know how your employees feel about their role in the business. The survey below provides a 'hands-on' tool for uncovering that information" (Folliard and Fudenberg, 74).

This survey is effective in helping a small to medium sized company determine whether or not it is empowered according to its employees by confidentially gathering honest opinions (names of participants are not used) and creating clarity for those involved. It gauges employee perceptions and attitudes about the level of empowerment within the Company. The size of the surveyed group is not important because the goal is to just scratch the surface of an area that is often discussed intangibly by company leaders and in relation to the entrepreneurial process. The result of the survey is a set of answers that show where to direct company efforts to strengthen the work force through empowerment and entrepreneurial activities.

The survey consists of 24 questions adapted for the Company that categorize the subject of empowerment into four major areas: shared vision, trust/loyalty, communication, and performance/responsibility. The President administered this survey to all sales, service and office personnel while visiting each location. To insure confidentiality for those surveyed and insure valid survey data, names were not included on the survey and another person tabulated the results. Participants were asked to mark on the continuum (1-7) the answer that mostly reflects the truth according to that individual. The results of the survey are included in Appendix 4.2. The questions and average scores are listed:
• Shared vision.

1. How familiar are you with the vision and mission of the Company?
   very familiar … unaware
   AVG 3.2

2. Are company/location goals regularly communicated to you as well as the
   process being made to achieve them?
   almost always … almost never
   AVG 3.4

3. How well does the Company new associate orientation help establish a
   positive impression and understanding of the Company?
   very well … not very well
   AVG 4.1

4. Can you personally improve the company’s performance?
   I’m aware of how I can make a difference … I don’t feel I can
   AVG 2.2

• Trust and loyalty.

5. Does the management of the Company inspire or intimidate you?
   inspire and motivate … intimidate
   AVG 2.9

6. Are there skeptics within the Company who present an obstacle to improving
   the Company?
   skepticism is not a problem … skepticism is high
   AVG 3.5

7. Does your daily attitude reflect a commitment to and respect for the Company?
   almost always … no reason for me to show commitment
   AVG 2.2

• Performance and responsibility.

8. Do you know the effect your contribution has on the success of the Company?
   I can cite examples … I don’t see any direct effect
   AVG 2.5

9. Most people want to make a difference in their work. Does the Company
   show you how to do that?
   consistently … makes no attempt to show me
   AVG 3.1

10. Does the Company allow you to make that difference?
    suggestions are welcomed … ideas are not welcomed
    AVG 2.5

11. Associates need to know that they do a good job. Does the Company give an
    adequate amount of recognition?
    frequently recognized efforts at all levels … it’s not a norm
    AVG 3.3

12. Can you affect your pay by meeting certain performance criteria in your
    control?
significantly ... not at all

13. Are decision making powers shared?
   spread throughout the Company ... kept at a high level
   AVG 3.5

14. What percent of decisions relating to your job are you allowed to make freely?
   100% ... almost none
   AVG 2.9

15. How are mistakes treated within the Company?
   It’s ok to make mistakes ... I’m chewed out for mistakes
   AVG 2.9

16. How well does the Company establish the level of performance expected from you?
   I know fully what is expected of me ... I’m not sure
   AVG 3.0

17. To what extent do you take responsibility for your actions and productivity?
   100% of the time ... almost never
   AVG 1.7

18. How autonomously are you able to function in your job?
   very independently ... actions need review by supervisor
   AVG 2.1

19. Do you actively seek opportunities to take part in formal and/or informal training?
   almost always ... almost never
   AVG 2.6

20. How would you describe the Company’s organizational structure?
   very few levels ... many levels
   AVG 3.2

   Communication.

21. How well does management know you personally and professionally?
   extremely well ... not at all
   AVG 2.9

22. Is Company information freely communicated to all associates?
   almost always ... almost never
   AVG 3.0

23. To what extent do you express your thoughts and ideas?
   almost always ... almost never
   AVG 2.5

24. How open is the Company’s management to listening to your thoughts and ideas?
   it’s encouraged ... not encouraged
   AVG 2.4

After the individual scores are totalled, the score of all respondents is averaged.

TOTAL OF AVERAGE SCORES 69.0
If the Company scored less than 60 it is far ahead on the average in terms of employee empowerment; however, refinements may be necessary based on specific questions. A score of 60 to 131 indicates that the concept of employee empowerment is not foreign to the Company. This is an average score, and some areas may need drastic improvement while others may be close to ideal. It would benefit a company in this scoring range to evaluate the survey by category and maybe even by question. A score of 132 or greater indicates that employee empowerment is not occurring for a variety of reasons and something needs to be done immediately to improve the situation.

Company’s Financial Information

The Company’s financial statements since 1982 as well as other related information has been included as data to help show the relationship between specific entrepreneurial activities and their effect on the Company’s financial position. The information included in this study is:

- Income statement Briefs.
- Balance Sheet Briefs.
- Other Information Briefs concerning personnel and sales trends.

The financial information is included as Appendix 4.3.

Conclusion

This chapter presented a case study of the Company in the form of interviews with the Company President and the entrepreneurial management process interview questionnaire data. A Company profile, Company President profile, Author profile, the Company’s financial information, the empowerment survey of the company, and entrepreneurial tendencies evaluation of the president are also included. The information in this case study and the other related resources that are presented successful aspects of the Company’s entrepreneurial management process as well as aspects of the Company’s entrepreneurial management process which need improvement. These resources are the primary sources for data analysis.
CHAPTER 5  
DATA ANALYSIS AND CONCLUSIONS

Introduction

This chapter is an analysis of the data collected on the entrepreneurial management process in a single case study, and its applicability as a practical solution the problems resulting from growth and maturity of an entrepreneurial small business. The entrepreneurial management process is one which focuses on managing an organization to develop and capitalize on its entrepreneurial characteristics. It is examined in the context of entrepreneurship, intrapreneurship, the development of an entrepreneurial culture, employee empowerment, entrepreneurial teams, strategic planning, new ventures, and compensation at the research site. This chapter contains the process of data analysis, within-site analysis, the emergent patterns found in the research as they relate to existing literature, and working hypotheses drawn from these overall patterns and themes. The statements of working hypotheses are developed from the analysis reflections in relation to existing literature.

Data Analysis Process

As described in Chapter Three, the data analysis process for this research was the constant comparative method. The case study in Chapter Four serves as the primary source for data analysis. The process specifically involved:

Detailed examples were cited and then categorized by the various aspects of the entrepreneurial management process: entrepreneurship, intrapreneurship, small business management, entrepreneurial culture, employee empowerment, entrepreneurial teams, strategic planning, new ventures, and compensation. Significant events which related to the secondary data were also examined. These citations were cross-referenced to the case by the source of data, question number in the interview questionnaire, or reference in the appendix. From these case study citations and categories, similar characteristics were
identified in relation to the literature. Analysis within the site and in comparison to the related literature was completed to interpret the data and identify emergent patterns relating to the entrepreneurial management process. This served to generate working hypotheses and build initial theory.

The intent of the data analysis is to contribute to theory development by recognizing the site data, emergent patterns, and working hypotheses in relation to current literature.

**Data Analysis**

The format for the data analysis involves categorizing the citations according to identifiable characteristics relating to the entrepreneurial management process. They are:

- entrepreneurship
- intrapreneurship
- entrepreneurial small business
- entrepreneurial management
- entrepreneurial culture
- employee empowerment
- entrepreneurial teams
- strategic planning
- new ventures
- compensation

Within these categories, the data citations are organized according to identifiable characteristics. Source citations are as follows:

1. Company Profile.
2. Company President Profile.
3. Interview with the Company President.
5. Employee Empowerment Survey.
6. Company’s Financial Information.
(Q*.* Specific Interview Questionnaire question.
(A*.* Specific Appendix reference.

**Entrepreneurship**

Important things to consider about entrepreneurship in the context of the entrepreneurial
management process:
- Definition of entrepreneurship.
- Characteristic strengths of an entrepreneur.
- Characteristic weaknesses of an entrepreneur.
- Motivation of an entrepreneur.
- Different kinds of entrepreneurs.
- The entrepreneurial process.
- Innovation and change.

On the entrepreneurial tendencies evaluation, the President ranked himself as an entrepreneur. (A4.1)

The President defines the entrepreneur as a person who finds needs not satisfied and reorganizes resources to satisfy need in a short period of time. The time factor is most important. (3)

The President is considered an entrepreneur by all respondents. (Q6.2)

The President is an entrepreneur because he acts entrepreneurially and supports entrepreneurial activities. (6.8)

The President considers himself an entrepreneur. (Q5.2)

Most employees consider themselves to be entrepreneurs. (Q5.2)

President agrees with the definition of an entrepreneur as someone who creates and supports change, innovation, and job opportunities, as well as inspires others to action and accepts risks and rewards. (3)

Today's entrepreneur is changing to someone who creates and supports the entrepreneurial process within their organization. (3)
The President supports change and innovation, is flexible, and acts in the best interest of the Company. (Q6.3)

The President is a let's do it now type of person. (Q6.3)

The President is personable, accessible, trusted, and holds high ethical standards for the Company. (2)

The President is the final and controlling decision maker. (6.8)

The President is the final decision maker for the teams decisions. (3)

The President is involved with all operations and makes major decisions including financing, staffing, product selection, sales, service, and management. (2)

It is easier for the President to accept smaller ideas than big issues for implementation because he tries to handle things himself, is the final decision maker, and is used to controlling the activities of the business. (Q6.3)

The President sometimes inhibits entrepreneurial activities by trying to handle everything himself, by juggling all the pins, and this results in communication problems with those involved, stalling decisions until they are forgotten, and not making policies clear and consistent. (Q6.3)

The President doesn't have enough time to get involved with every problem. (Q6.3)

The President's span covers all major decisions and reaches 20 people -- this is ineffective. (Q4.2)

The President is an opportunistic and innovative entrepreneur and ranks mid range for entrepreneurial tendencies. (4)
The President acquired the Company from his father, owns the Company, and co-owns other businesses. (2)

The President believes entrepreneurs can are entrepreneurial by supporting the process surrounding entrepreneurial activity. (3)

The President has been involved with almost every entrepreneurial action taken in the Company, including:

- In the beginning, the purchase of the Company.
- The development and expansion of POS systems as the Company’s primary product.
- The expansion into five new regions requiring the creation of new offices and staff.
- The creation and development of the Company’s own line of computers and the development of retail computer center in Area #1’s retail store.
- The promotion of office staff to sales positions.
- The development and investment outside of the Company in a copy shop business, a graphics screening business and other operations that have not been successful.
- Personally developed the internal board for the Company.
- The selection of manufacturers to represent.
- The promotion of employees within the Company and selection of regional managers that are successful, driven, and open to change.
- The separation of the service center from the retail office in Area #1 to allow individual office autonomy.
- The acquisition of a competitors assets and personnel in Area #2.
- The support of sending staff to formalized seminars dealing with self-realization and empowerment.
- The establishment of the Hawaii trip winning incentive program and nomination procedures. (Q6.8)

- Reflections.
The Company President is an entrepreneur because:

- he sees himself as an entrepreneur.
- others see him as an entrepreneur.
- his actions and activities are entrepreneurial.
- he has personal characteristics, strengths, and weaknesses that are entrepreneurial.
- his business philosophy indicates that he is an entrepreneur.

The President sees himself as an entrepreneur as indicated in the entrepreneurial tendencies survey (Appendix 4.1). On a scale from -63 (nonentrepreneurial) to +63 (entrepreneurial) the President ranked himself at +29 when considering the entrepreneurial tendencies of independence-seeking, wealth-seeking, opportunity-seeking, innovative, venture-seeking, risk-accepting, and intuitive. This coincides with the fact that he considers himself an opportunistic and innovative entrepreneur. Also, every person that responded to the questionnaire, including himself, answered that he is an entrepreneur. In addition, his actions and activities are entrepreneurial. He owns and manages a small business which is considered the typical realm of the entrepreneur, has successfully expanded the business through acquisitions, and is still the final decision maker and driving force in the company. He personally developed the internal board of advisors and introduced the initial Point-of-Sale systems sales focus for the Company. His personal characteristics are also entrepreneurial. He has a "let's do it" attitude, is flexible, and is highly ethical. He also tries to have a large span of control, can have problems communicating, and is the final controlling factor in the business. Finally, his business philosophy is one of employee empowerment, teamwork, and participation. He calls his employees "associates," refuses to have job descriptions, and maintains a flat organizational structure in the company.

Intrapreneurship

Important things to consider about intrapreneurship in the context of the entrepreneurial management process:

- Definition of intrapreneurship.
- Reasons for intrapreneurship.
- Benefits from intrapreneurship.
• Problems with intrapreneurship.
• Corporate management and sponsors of intrapreneurs.
• Business plan use by the intrapreneur.

The President wants to have people doing what they love to do within the Company. (2)

The President supports an entrepreneur within the Company. (Q5.8)

The President is paying an employee to take off from his job, think about the Company and do something about it. (3)

The President supports new ventures such as computer building and touch screen software. (3)

The President served as a sponsor for the intrapreneurs. (3)

One new venture was a financial success and another proved unsuccessful. (3)

He gives intrapreneurs the opportunity, financial support, and encouragement. (3)

The President supports a person recognized as an entrepreneur and innovator whose job in the Company is to explore new ideas and opportunities. (Q6.3)

An employee started selling computers and building computers for the Company. (Q5.8)

The computer sales now contributes to the 10% of total sales from computers. (6)

Employees started selling POS systems for the Company, now the largest sales item for the Company. (Q5.8)(A4.3)

The creation and development of the Company’s own line of computers and the development of retail computer center in Area #1’s retail store is intrapreneurial. (Q6.8)
• Reflections.

The President supports intrapreneurs and intrapreneurial activities.
The Company benefits from intrapreneurial activities.

Since an intrapreneur is an entrepreneur within a organization, the ones that do exist within the Company exhibit entrepreneurial characteristics. The President supports intrapreneurs and very often is their "sponsor." Currently, the President personally supports a person recognized as an entrepreneur and innovator whose job in the Company is to explore new ideas and opportunities. This employee has previous entrepreneurial experience, started computers sales as a focus for the Company, and began the assembly of computers under the Company’s name. This intrapreneurial venture has proven very successful. Computer sales now account for 10% of total sales. Other intrapreneurial activities include bringing the Company’s financial duties in-house to save money, developing touch-screen software within the Company, and upgrading the appearance of a retail store. The President also supports intrapreneurs with financial backing, encouragement, and new opportunities.

Entrepreneurial Small Business

Important things to consider about entrepreneurial small business in the context of the entrepreneurial management process:
• The growing small business in an entrepreneurial context.
• Differences and conflicts between entrepreneur and manager.
• Driving forces behind the Company that change with growth.
• Management’s functional changes that occur with growth.
• Organizational changes that occur with growth.
• Problems that are caused by changes occurring with growth.

According to the financial statements, the Company is in its high growth period and possibly nearing the maturity stage: sales over $6 million, over 70 employees, and well expanded markets. (6)(A2.2)

The Company appears to be in its high growth phase in 1991 because sales are over $6
million, it employs 74 people, and the President’s management focus is mixed between managing employees and managing managers. (1)(6)(A2.2)

From 1985 to 1988 the Company experienced significant profit stagnation as a result of rapid growth, increased competition, and Company expansion. (1)(6)

The President is the driving force behind the Company and most of the change in the Company. (Q7.1)

The Company will continue its niche market strategy as part of the President’s unwritten mission. (Q7.3)

Technological changes will continue to drive the industry and the Company. (Q7.1)

It is easier for the President to accept smaller ideas than big issues because he tries to handle things himself, is the final decision maker, and is also usually controlling the activities of the business. (Q6.3)

The communication problems evident in the Company and the span of the President’s control indicate the Company is in the managing people phase and moving to a managing managers phase, or moving from the entrepreneur doing to the entrepreneur managing. (6)(A2.3)

The Company has become more professional than 10 years ago, and as a result of the accelerated growth, the Company has lost some of its small company spirit. (Q7.1)

There are communication problems evident in the Company, and span of the President’s control is too large to be effective. (6)(A2.3)

The President sees job and sales region growth slowing in the Company as it increases its market share in a stagnant market. (Q7.3)

Increased competition and reduced profit margins have increased the pressure on the
Company. (Q7.1)

The President sometimes inhibits entrepreneurial activities by trying to handle everything himself or by juggling all the pins, and this results in communication problems with those involved, stalling decisions until they are forgotten, and not making policies clear and consistent. (Q6.3)

The President doesn’t have enough time to get involved with every problem. (Q6.3)

The President’s span covers all major decisions and reaches 20 people -- this is ineffective. (Q4.2)

The current structure inhibits entrepreneurial activity because of unclear lines of authority and communication. (Q4.2)

The Company does not have a formalized, recognized, organizational chart. (Q4.1)

The President outlined an implied organizational structure by regions, and employees listed many different organizational structures, none of which were the same as the President’s diagramed structure. (Q4.1)

All structures recognized the President’s office, but after that the organizational structures varied greatly. (Q4.1)

The Company’s structure is very flat. (Q4.1)

Many employees do not see how they fit into the big picture of the Company structure, and lines of accountability are unclear and limited to individual efforts. (Q4.1)

The President refuses job descriptions because he believes that they will limit the employee in what they do for the Company or themselves. (3)
The President’s span of control was cited by one as reaching over 20 people. (Q4.1)

The Company’s weaknesses are its lack of proactive planning -- too reactive, lack of controls and measures, lack of depth and trained people in some areas, and no clear successor for President. (Q3.1)

Overall, the Company’s weaknesses are reactive planning, unclear goals and authority structure, untrained employees, and lack of operational controls inhibit it from making effective changes and innovations. (Q3.2)

Increased competition and technological changes, cash flow problems, and uncontrolled business processes are threats that can be addressed by acting entrepreneurially. (Q3.2)

Threats include a lack of control in business processes, an attitude of unhealthy separatism between locations, decreasing market share because of increased competition from superstores, and mail order as products become commodity items. Decreasing profit margins, hardware and software requiring less service and more product knowledge training from technological advances, cash flow shortages, and technological changes are also problems that are occurring at ever increasing rates. (Q3.1)

Weaknesses include: a lack of knowledge and training, unused information resources, low Company profits, unclear lines of managerial authority due to lack of structure and goals, ineffective communication and coordination between locations, excessive paperwork due to rapid growth, procedural problems, and poorly communicated goals and objectives. (Q3.1)

Strategic planning does not occur. (3)

Growth and expansion has increased job opportunities. (Q7.2)

Because efficiency and little things are becoming more important to the business, employee empowerment is becoming more important. (Q7.1)
Opportunities create the need for entrepreneurial activity. (Q3.2)

There are numerous opportunities for growth and expansion. (Q3.1)

Increased competition and the rate of technological advances are threats. (Q3.1)

Other strengths are typical of entrepreneurialships: flexibility, board of advisors, dedicated employees. (Q3.1)

Emphasis is not on being entrepreneurial -- it's on keeping up on the business aspects of the Company. (Q2.4)

Overall, the President was cited as the Company's leader. (Q2.1)

Leadership roles are widespread among employees in the Company. (Q2.1)

Narrowing profit margins are a problem from increased competition. (3)

Lead times are being reduced for decisions, product introduction and turnover, and information transfer and application because of technological advances. (3)

The Company has very little formalized organizational structure (implying hierarchical structure, etc) so employee are not limited from sharing ideas or responsibilities cross-functionally. (3)

Employees are referred to as associates to reflect lack of hierarchical structure, respect for all employees, and support of empowerment. (3)

The President refuses job descriptions because he believes that they will limit employees in what they do for the Company or themselves. (3)

The President runs his ideas through the internal board for input, but in the end, he makes the
decision. (2)

The Company has a history of accelerated and explosive growth and change. (1)

Historically as well as currently, technological changes and innovations lead the industry and the Company. (1)

The Company focuses on offering quality products and services at a fair price to a specific market niche. (1)(3)

The President is deeply involved in the day to day operations of the Company. (2)

The President relates to everyone on a personal basis. (2)

The President is seen by employees as the final decision maker on all major issues. (2)

- Reflections.

  The Company is a growing small business.
  The Company is experiencing problems caused by the changes due to growth.
    The forces that drive the Company are changing.
    The President's management functions are changing.
    The organization is changing.
  The Company is also experiencing increased environmental pressures.

When examining its financial statements, employment records, and business growth phases of the last 10 years, the Company is obviously a growing small business. The Company appears to be in its high growth phase in 1991 and potentially near its maturity phase because: sales are over $6 million; it employs 74 people; it has well expanded markets; and the President's management focus is mixed between managing employees and managing managers. However, there are problems resulting from the changes in the forces that drive the Company, the changes in the management functions of the entrepreneur, and changes on an organizational level. These problems are partly the result of transitional growth as it experiences its high-growth phase, as well as environmental factors. There are convergent
pressures on the Company President to be an entrepreneur and a manager as the Company’s growth accelerates beyond founder-driven and founder-dominated survival. The transition phase from direct involvement of the President to that of managing managers is potentially dangerous and difficult. For the President this is the pull to change from an entrepreneur to an entrepreneurial manager, to let go of some controls and manage entrepreneurs in an entrepreneurial environment. The personal characteristics that made the President an effective entrepreneur often counteract effective managerial characteristics. Another problem is that even though the President knows the entire business better than anyone else, as it grows areas develop in which he has relative inexperience. He is ineffective in areas where he continues to manage as an entrepreneur manages a business. As the business grows, the President seems reluctant to delegate authority as his span of control widens potentially beyond his control. Not only is this typical of an entrepreneur, but because the President is also owner of the Company, it is also an even more difficult task to accomplish. There appears to be a need for the President to refocus his efforts on strategically leading the Company and less on running the daily business operations. There are communication problems within the Company, and his strategic vision is poorly conveyed to employees. These communication problems have resulted from the President’s increased span of control and unclear lines of responsibility in the organizational structure. When the Company was smaller, these issues were dealt with on a personal and individual basis; now, this is logistically impossible. In addition, technology is driving the industry, time factors of decision making and product life cycle are decreasing, and profit margins are dropping as a result of increased competition from warehouse business retailers.

**Entrepreneurial Culture**

Important things to consider about an entrepreneurial culture in the context of the entrepreneurial management process:

- An entrepreneurial culture as part of the entrepreneurial management process.
- Traditional corporate culture inhibits entrepreneurs.
- Characteristics of an entrepreneurial culture.
- An entrepreneurial culture supports intrapreneurs and intrapreneurial activities.
• Top management’s strategic commitment to the entrepreneurial culture.
• Structure that supports an entrepreneurial culture.
• Rewards and compensation that support an entrepreneurial culture.

The President supports sending staff to formalized seminars dealing with self-realization and empowerment. (6.8)

The President accepts that mistakes can be made and used as a learning experience. (Q6.6)

The President strongly believes in enabling others and empowering others to make their own decisions. (Q6.6)

Entrepreneurial actions are encouraged by building and maintaining supportive working relationships, listening and encouraging new ideas, risks, and changes, having an open attitude, and encouraging communication. (Q5.6)

The more customary entrepreneurial actions are the more likely people are to act entrepreneurially. (Q5.5)

Employees are inspired by good leadership that listens and shares ideas and give employees freedom and responsibility. (Q5.5)

The Company’s loose knit structure promotes independence and entrepreneurialism yet unclear lines of authority and communication exist. (Q4.4)

The President believes that the lack of formalized structure supports the entrepreneurial process. (Q4.4)

The Company has a loose knit organizational structure, and the President is easily accessible to share ideas. (Q4.1)(Q4.2)

The President believes this loose knit structure and lack of levels increases entrepreneurialism
within the Company. (Q4.2)

The President outlines an implied organizational structure by regions (Q4.1).

Employees listed many different organizational structures, none of which were the same as the President's. (Q4.1)

All structures recognized the president's office, but after that the organizational structures varied greatly. (Q4.1)

The Company does not have a formalized, recognized, organizational chart. (Q4.1)

The Company's structure is very flat. (Q4.1)

The attitude in the Company supports job creation. (Q3.3).

The Company's strength is its people, their flexibility, and entrepreneurial attitude. (Q3.2)

These is a board of advisors to set policy and share ideas. (Q3.2)

A flat structure can sometimes inhibit implementation of innovative ideas. (Q2.2)

A Vice-President resigned under pressure partly because he did not support the entrepreneurial culture in his management style -- the President and he conflicted. (3)

The Company has very little formalized organizational structure (implying hierarchical structure, etc) so employees are not limited from sharing ideas or responsibilities cross-functionally. (3)

Employees are referred to as associates to reflect lack of hierarchical structure, respect for all employees, and support empowerment. (3)
The President refuses job descriptions because he believes that they will limit the employee in what they do for the Company or themselves. (3)

The key to the Company’s success is viewed as being based in an environment that encourages individual excellence. (1)

The President wants to empower employees by encouraging people to do their best and is open to ideas. (2)

The President encourages a business environment that supports employee empowerment, personal excellence, initiative, and accountability. (2)

The President wants to have people doing what they love to do. (2)

• Reflections.

The Company has an entrepreneurial culture.

The philosophy of an entrepreneurial culture is supported by the President.

The Company’s entrepreneurial culture supports and encourages entrepreneurs and entrepreneurial activities.

The Company’s structure supports an entrepreneurial culture.

The Company’s structure also causes communication and accountability problems.

The Company has a strong entrepreneurial culture that encourages building and maintaining supportive working relationships; listening and encouraging new ideas, risks, and changes; having a flexible, open attitude; and encouraging communication. This culture is supported by the President. He strongly believes in enabling and encouraging others to make their own decisions in a loose knit, flat, organizational structure. To him, the lack of a formalized, hierarchical organizational structure supports the entrepreneurial process. However, the informality of the organizational structure also causes communication and accountability problems. Additionally, employees are referred to as "associates" to reflect the respect for all employees and lack of regard for hierarchical structures. He also refuses to develop job descriptions for employees because he feels it will limit what they do for the Company and themselves. Overall, he encourages a entrepreneurial business environment that supports
employee empowerment, personal excellence, initiative, and accountability. Most importantly though, this culture supports the entrepreneur and entrepreneurial activities. Entrepreneurs are most likely to act in an entrepreneurial culture.

**Employee Empowerment**

Important things to consider about employee empowerment in the context of the entrepreneurial management process:

- Employee empowerment as part of the entrepreneurial management process.
- Shared vision.
- Trust and loyalty.
- Performance and responsibilities.
- Communication.

The Company’s score for employee empowerment was 69 which places the Company’s employee empowerment just a little below the above average score breaking point of 60 on a scale of 7 to 168. This indicates that the are elements of employee empowerment evident in the Company but there could be room for improvement. (5)

According to the graphs, the Company’s empowerment strengths are ranked near the bottom of the above average section indicating that the Company is familiar with employee empowerment but should try to make improvements by examining specific sections or even questions. (5)(A5.1)

Because efficiency and little things are becoming more important to the business, employee empowerment is becoming more important. (Q7.1)

The President strongly believes in enabling others and empowering others to make their own decisions. (Q6.6)

The President enables people to improve professionally, encourages personal growth, and
supports risk taking. (5.8)

The President supports an entrepreneur within the Company. (Q5.8)

The President tries to make employees feel free to make mistakes and to learn from their mistakes. (Q5.3)

Employee empowerment creates conditions that lead to entrepreneurial activities. (Q3.3)

Good people seize opportunities for jobs. (Q3.3)

Effective leaders in the Company support employee empowerment. (Q2.5)

The President goes to extremes to have people make their own decisions. (Q2.4)

Overall, the President was cited as the Company’s leader. (Q2.1)

Leadership roles are widespread among employees in the Company. (Q2.1)

The President began sharing financial information with employees so they can understand their impact on the business. (3)

The President feels that employee empowerment and little formalized structure helps meet the challenges of decreasing lead times because employees can react quicker to changes and capitalize on opportunities. (3)

The Company has very little formalized organizational structure (implying hierarchical structure, etc) so employees are not limited from sharing ideas or responsibilities cross-functionally. (3)

Employees are referred to as associates to reflect the lack of hierarchical structure, respect for all employees, and support empowerment. (3)
The President refuses job descriptions because he believes that they will limit the employee in what they do for the Company or themselves. (3)

Employee empowerment is defined as supporting people to take action, make decisions, be held accountable, and feel a sense of ownership in the Company. (3)

Employee empowerment is the most important aspect of management for the President (3).

It is necessary for the organization as a whole to be successful. (3)

The President tries to get the right person in the right job -- to help find a fit for the person by evaluating what kind of person they are, recognizing their abilities, and knowing what they want in a job. (3)

The key to the Company's success is viewed as being based in an environment that encourages individual excellence. (1)

The President wants to empower employees by encouraging people to do their best and by being open to ideas. (2)

The President tries to enable employees to reach their potential. (2)

The President tries to give each employee a sense of belonging and participation in the Company. (2)

The President encourages a business environment that supports employee empowerment, personal excellence, initiative, and accountability. (2)

The President wants to have people doing what they love to do. (2)

The President believes that the mission must be owned by the employees to improve its achievement and recognizes that this is a weak aspect right now. (Q1.4)
Reflections.

The President strongly supports employee empowerment.
The Company is slightly better than average in terms of employee empowerment.

The President strongly believes in enabling and empowering associates in the Company to make decisions, take actions, and feel a sense of ownership in the Company. He wants associates to learn from mistakes, grow personally, and reach their potential. When analyzing the Employee Empowerment Survey (Appendix 5.1), it is evident that employee empowerment is a familiar element of the Company's entrepreneurial culture, but there is still room for improvement. On a scale of 7 (most empowered) to 168 (least empowered) employees gave the Company an average score of 69. This is on the high end of the average score range which means that the sections of shared vision, trust and loyalty, performance and responsibilities, and communication as well as individual scores should be examined to find ways of improving employee empowerment. By examining the graphical analysis, it is evident that the overall Company is fairly well empowered; the weakest aspect of employee empowerment is the Company's shared vision.

Entrepreneurial Teamwork

Important things to consider about entrepreneurial teamwork in the context of the entrepreneurial management process:

- Entrepreneurial teamwork as part of the entrepreneurial management process.
- Reasons for entrepreneurial teamwork.
- Characteristics of entrepreneurial teamwork.
- Benefits of entrepreneurial teamwork.

President developed the internal board for the Company. (Q6.8)

Employees are asking for teamwork activities between offices. (Q8.1)

Sharing of information and ideas between key people will be emphasized. (7.3)
There will be a greater emphasis on team decisions in the POS area. (Q7.3)

Cooperative efforts on projects and between offices will be emphasized. (7.3)

The Company's structure is very flat. (Q4.1)

Overall, the President was cited as the Company's leader. (Q2.1)

Leadership roles are widespread among employees in the Company. (Q2.1)

Indirect results of team activities such as understanding of others jobs, and different aspects of the Company are also important. (3)

The teams have helped bring about changes in the Company. (3)

The President uses the internal board of advisors to help decide policy issues. (3)

The President uses planning team of employees to help solve problems in the Company. (3)

The President supports these teams. (3)

The teams help meet the problems the Company is facing. (3)

- Reflections.

*The President supports entrepreneurial teamwork in the Company.*

*The entrepreneurial culture supports teamwork.*

*The internal board of advisors.*

*Other employee planning teams.*

*Product selection and implementation teams.*

*Entrepreneurial teamwork affects change and decisions in the Company.*

The President and the organization's flat structure support entrepreneurial teamwork as a means of bringing about change and making decisions within the Company. The President is
placing greater emphasis on its use in POS sales and feels it is an effective way to address the problems the Company is facing. The internal board of advisors and other employee planning teams give the President recommendations on policy issues and allow for employee ideas and concerns to be voiced. For example, the first internal board of advisors brought about the hiring of a service department manager in Area #1, something that the service department and bookkeeping saw as vitally important.

**Strategic Planning**

Important things to consider about strategic planning in the context of the entrepreneurial management process:

- Strategic planning as part of the entrepreneurial management process.
- Entrepreneurship as part of strategic planning.
- Reasons for strategic planning in a small business.
- Benefits of strategic planning.
- Top management’s commitment to strategic planning.
- Basics of strategic planning.
- Mission, goals, and objectives.
- Proactive and anticipatory strategic planning.
- Strategic planning as a means to an end.
- Knowledge of the business in strategic planning.

The President outlined an implied organizational structure by regions. (Q4.1)

Employees listed many different organizational structures, none of which were the same as the President’s. (Q4.1)

All structures recognized the president’s office, but after that the organizational structures varied greatly. (Q4.1)

The Company does not have a formalized, recognized, organizational chart. (Q4.1)
The Company’s structure is very flat. (Q4.1)

The President recognizes the problem that strategic planning does not occur on a formal or effective basis. (3)

A specific strategic vision, goals, or tactics have not been defined for the Company. (3)

Business level planning occurs where problems are identified and then solutions found. (3)

The President outlined five specific areas for the Company’s mission but it has not been used as a specific strategic tool. (3)

He is sure people in the Company would define the mission differently. (3)

The mission is not written down, displayed or emphasized in the Company. (3)

Lead time factors for product introduction, decisions, information transfer reduced significantly as the result of advanced technology. (3)

The President consults with a group of people when making decisions — but he is the decision maker. (3)

The President has a specific mission or vision for the Company. (Q1.1)

Employees cite a wide variety of mission statements or visions for the Company that are different from the President’s missions or vision for the Company. (Q1.1)

The President uses limited methods of communication (newsletters, periodic meetings, daily activities) for the vision, mission, objectives. (Q1.2)

Employees cite a wide variety of methods of communicating mission, but they are not specific to using the mission as a strategic tool. (Q1.2)
Problems arise in the Company from having an unclear and poorly communicated mission. (Q1.2)

According to the President, the Company attains its goals as he outlined them fairly well. (Q1.3)

Employees offered a mixed response to whether the Company achieved its mission and goals or not -- they mission and goals are not clear. (Q1.3)

The President believes that the mission must be owned by the employees to improve its achievement and recognizes that this is a weak aspect right now. (Q1.4)

Essentially the employees cited that there should be more effective communication methods to convey the mission goals and objectives. (Q1.4)

Employees are looking for leadership and direction communicated from the President about the mission. (Q1.4)

The President’s mission is entrepreneurial in that it supports change and innovation. (Q1.5)

Employee’s are unclear about the mission and goals’ effects but agree that overall they support change and innovation. (Q1.5)

The President’s mission is entrepreneurial in that it supports job opportunities. (Q1.6)

Employee’s are unclear about the mission and goals but agree that they overall supports job opportunities. (Q1.6)

The concepts of the President’s mission and goals are the foundation for long-lasting business success. (Q1.7)

Employees offered mixed results on how goals and mission support the entrepreneurial
process. (Q1.7)

- Reflections.

*Strategic planning does not occur on a formal or effective basis.*

*Problems arise from the lack of strategic planning.*

*The Company’s vision, mission, and goals are unclear to employees.*

*Planning is currently reactive.*

Within the Company, numerous problems arise from the lack of strategic planning and the lack of well communicated vision. The President recognizes that strategic planning does not occur on a formal or effective basis. The planning that does occur is reactive to crises or business level planning where problems are identified and then solved. As long as the President is going to remain the final decision maker, he is responsible for strategic planning in the Company. Even though the President believes that the Company’s vision and mission must be owned by employees, they are poorly communicated to employees. Each employee responded differently when asked to define the Company’s mission. The President can define his mission for the Company; however, employees are very unclear about the Company’s specific mission.

**New Ventures**

Important things to consider about new ventures in the context of the entrepreneurial management process:

- New ventures as part of the entrepreneurial management process.
- New ventures as entrepreneurial organizations.
- Benefits of new ventures.
- Commitment of intrapreneurs and top management.
- Strategic planning for new ventures.
- Special need of new ventures.
- Support methods for new ventures.
- New ventures use of a business plan.
The President has developed and invested outside of the Company in a copy shop business, a graphics screening business, and other operations that have not been successful. (Q6.8)

The computer sales venture now contributes to the 10% of total sales from computers. (6)

Employees started selling POS systems for the Company, now the largest sales item for the Company. (Q5.8)(A4.3)

The President supports a person recognized as an entrepreneur and innovator whose job in the Company is to explore new ideas and opportunities. (Q6.3)

This employee started selling computers and building computers for the Company. (Q5.8)

The creation and development of the Company’s own line of computers and the development of retail computer center in Area #1’s retail store. (Q6.8)

Of the noted leaders in the Company, only two have prior entrepreneurial experience. (Q2.3)

An employee was responsible for bringing the financial responsibilities of the Company in house. (Q5.8)

The position of sales manager was created. (Q5.8)

An employee was responsible for upgrading the appearance of a retail store. (Q5.8)

New sales regions were opened with product expansion. (Q5.8)

The President supports an entrepreneur within the Company. (Q5.8)

He is paying an employee to take off from his job, think about the Company, and do something about it. (3)
The President supports new ventures such as computer building and touch screen software. (3)

He served as a sponsor for the intrapreneurs. (3)

One new venture was a financial success and another proved unsuccessful. (3)

He gives the intrapreneurs the opportunity, financial support, and encouragement. (3)

- Reflections.
  The President supports new ventures.
  New ventures are created by entrepreneurs.
  Company building computers.
  New ventures contribute to Company growth.

Part of the Company’s past success is the President’s support of new ventures. He personally has invested outside the Company in a copy shop and a graphics screening business. Internally, the President has financially and emotionally supported the sales and manufacturing of personal computers bearing the Company’s name and a retail computer center in Area #1’s retail store. Computer sales now make up 10% total sales. This new venture, as well as other new venture attempts, were developed by employees with entrepreneurial characteristics. The person responsible for the company’s new focus on computers is considered an entrepreneur and has entrepreneurial experience outside the company.

Compensation

Important things to consider about compensation in the context of the entrepreneurial management process:
- Compensation as part of the entrepreneurial management process.
- Traditional corporate compensation structures.
- Compensation as a communication tool to support expected behaviors.
- Compensation that motivates and rewards risk-takers.
- Differentiated career paths for intrapreneurs.
• Pay level.
• Pay mix.
• Pay structure.
• Pay raises.
• Intracapital incentives to retain intrapreneurs.
• Intracapital and profit sharing as a reward system.

The Company President has established an incentive trip to Hawaii based upon employee nominations. (Q6.3)(Q6.8)

The President personally recognizes and rewards employees for uncommonly good work. (Q6.3)(Q6.5)

The Company has a profit sharing plan, although considered a minor one. (Q7.1)

• Reflections.

_The Company pays sales people on a commission basis._

_The Company has a profit-sharing plan._

_The Company offers a trip to Hawaii as an incentive based upon employee nomination._

*Compensation is not emphasized as a tool to encourage entrepreneurial activity._

Compensation can be used as a tool to communicate motivation and expectations of employees. The Company’s compensation system, although tied to performance as commissions for sales people and a profit sharing program for those employees that are eligible, does not appear to be emphasized as an effective tool for motivating and rewarding those with entrepreneurial characteristics. The Hawaii incentive is a good idea; however, only one person benefits from it a year, and there are no expectations or qualifications for nomination to be met except other employee approval and final approval by the President.

**Entrepreneurial Management**
Important things to consider about entrepreneurial management in the context of the entrepreneurial management process:

- Definition of entrepreneurial management.
- Differences and conflicts between the entrepreneur and management.
- The entrepreneurial manager and entrepreneurial led management.
- Reasons for entrepreneurial management.
- Benefits of entrepreneurial management.
- Problems with entrepreneurial management.

The President acts entrepreneurially and supports entrepreneurial activities within the Company. (6.8)

President agreed that part of the entrepreneurial process is creating and supporting change, innovation, and job opportunities, inspiring others to action, and accepting risks and rewards. (3)

Today's entrepreneur is changing to someone who creates and supports the entrepreneurial process within their organization. (3)

The President believes entrepreneurs are entrepreneurial by supporting the process surrounding entrepreneurial activity. (3)

The President supports change and innovation, is flexible, and acts in the best interest of the Company. (Q6.3)

The President is a "let's do it now" type of person. (Q6.3)

The President is personable, accessible, trusted, and holds high ethical standards for the Company. (2)

The Company has mixed leadership styles. (Q2.4)
Of the leaders, most are considered entrepreneurs and most support the entrepreneurial process. (Q2.4)

The President is a leader who inspires entrepreneurial action. (Q2.4)

Because there is so much empowerment, leadership functions exist to some point within each employee and this dilutes the individual leader's position. (Q2.1)

The leaders support innovation and change in an entrepreneurial manner. (Q2.2)

Leaders support job opportunities. (Q2.3)

The President is seen as an effective leader because of his successful growth of the Company, openness of ideas, respect for employees, participative management style. (Q2.1)

Sharing of information and ideas between key people is emphasized. (7.3)

The President began sharing personal goal and financial information with employees three years ago. (Q7.1)

The President shares financial information with employees. (3)

The President uses the board of advisors to share ideas, and it is very effective. (Q4.2)(Q4.4)

The President created an internal advisory board to relieve the total decision making pressure from the President, turnaround stagnating profits, growth, and cash flow problems, and give employees a needed sense of purpose and ownership in the Company. (3)

The internal board addresses policy issues, and is a forum for discussion for employees to affect the Company and its policies. (3)

The President uses the internal board of advisors to help decide policy issues. (3)
The President believes that the sharing of information, and creation of a board of advisors that he began was a factor in the turnaround of the stagnant profits occurring between 1985 and 1988 as well as other general economic factors. (6)

The Company’s focus will be to strengthen its current position internally and in existing markets. (Q7.3)

Greater emphasis will be placed on internal controls of procedures. (Q7.3)

There will be greater emphasis in the future on employee training. (Q7.3)

In the future, regional office locations will have more autonomy and be held accountable for profits. (Q7.3)

There will be a greater emphasis on team decisions in the POS area. (Q7.3)

Cooperative efforts on projects and between offices will be emphasized. (7.3)

The President implemented the first board of advisors recommendations that were based on employee input. (Q7.1)

Every response indicated the President placed a lot of importance on the entrepreneurial process. (Q6.6)

The President serves as an entrepreneurial example to follow. (Q6.5)

The President trusts his employees. (Q6.5)

The President personally recognizes his employees for their efforts. (Q6.5)

The President explores new products, sales areas, as a means of increasing jobs. (Q6.4)
The President encourages employee growth and their increased responsibility in the Company, taking risks, and committing financial resources to entrepreneurial activities. (Q6.4)

The President promotes idea exchange, new ideas and his door is always open. (Q6.3)

The President supports an entrepreneur within the Company. (Q5.8)

The President believes that the entrepreneurial process is important, but not that important -- it would require too much stretching on employees part, time and thinking. (Q5.7)

Until this interview, very few employees thought of the entrepreneurial process. (Q5.7)

The entrepreneurial process is important to the Company as a never ending process for success. (Q5.7)

Some said that the entrepreneurial process is not that important -- instead, if the Company follows basic business principles, involves employees, and takes care of customers, the entrepreneurial process will automatically follow. (Q5.7)

The entrepreneurial process must be supported by controls, teamwork, and effective procedures. (5.7)

The President is a role model and encourages others. (Q5.6)

President is open to change and the Company is highly participative. (Q3.2)

Company leaders support the entrepreneurial process as they are agents of change. (Q2.5)

President supports the entrepreneurial process. (Q2.5)

President is described as confident, empathetic, energetic, creative, flexible. (Q2.1)
Leadership is considered only generally effective. (Q2.1)

Overall, the President was cited as the Company’s leader. (Q2.1)

Leadership roles are widespread among employees in the Company. (Q2.1)

A Vice-President resigned under pressure partly because he did not support the entrepreneurial culture in his management style -- the President and he conflicted. (3)

The President is looking for top management that supports entrepreneurial management process as seen with his conflict with the former vice president. (3)

The President supports entrepreneurs within the Company such as a person who started building computers and tried to develop their own touch screen POS. (3)

The President sees himself more as a manager than an entrepreneur but exhibits entrepreneurial characteristics. (2)

- Reflections.

The Company supports entrepreneurial management.

The President is becoming an entrepreneurial manager.

The Company supports entrepreneurial management partly as a method of addressing it problems that are a result of growth.

Entrepreneurs and entrepreneurial activities lead the Company's management.

Overall, the company supports entrepreneurial management. The President acts entrepreneurially and supports entrepreneurial activity. The company’s culture that has developed is entrepreneurial, there is a teamwork atmosphere among employees, and employee’s are fairly well empowered. However, as a small business, compensation and strategic planning have taken a back seat until now. As a result of the pressures placed on him by the Company’s growth, the President is developing from an entrepreneur into an entrepreneurial manager. He believes that entrepreneurs can be entrepreneurial by supporting the process around entrepreneurial activity. Although he is still the final decision maker, he
has adopted a participative, teamwork approach to management through the use of an internal board of advisors and planning teams. In response to stagnant profits between 1985 and 1988, the President began the internal board of advisors by sharing personal goals and financial information with employees as a means to relieve himself of the total decision making pressure, turnaround stagnating profits, growth, and cash flow problems, and give employees a needed sense of purpose and ownership in the Company. He also places great trust in his employees and personally recognizes them for their efforts. In addition, the President supports and selects managers who support the entrepreneurial management process. In one instance, this philosophy conflicted with the management philosophy and style of the Company’s vice president. The vice president resigned under pressure as a partial result of their conflicting styles. Essentially, the President wants entrepreneurs to lead the Company.

Summary of Analysis Reflections in Relationship to the Literature

The President is perceived as an entrepreneur, and this is beneficial when it comes to managing the Company entrepreneurially. As an entrepreneur, his personal characteristics and business philosophy of empowerment, teamwork, and participation are driving the Company. As McKinney states, "Managers cannot manage entrepreneurs; the entrepreneur must lead the manager" if an organization is to be managed successfully (82). However, the problems that the Company is facing are partly the result of the entrepreneur’s changing functions in a transitional growth period. There are convergent pressures on the Company President to be an entrepreneur and a manager at the same time as the Company’s growth accelerates beyond founder-driven and founder-dominated survival. The transition phase from direct involvement of the President to that of managing managers is dangerous and difficult. The President is being pulled to change from an entrepreneur to an entrepreneurial manager, one who manages entrepreneurs in an entrepreneurial environment, and it is especially difficult in most situations for an entrepreneur to release control. The personal characteristics that made him an effective entrepreneur often counteract effective managerial characteristics. Also, even though the President knows the entire business better than anyone else, as it grows there are areas that develop in which he has relative inexperience. As the business grows, the President seems reluctant to delegate authority as his span of control widens potentially
beyond his control. Not only is this typical of an entrepreneur, but because the President is also owner of the Company, it is also an even more difficult task to accomplish. In order for an organization to be successful, its members must own its driving vision and purpose. However, the strategic vision for the Company is poorly conveyed to employees. When the Company was smaller, these issues were dealt with on a personal and individual basis; now, this is logistically impossible. In addition, technology is decreasing the time factors of decision making and product life cycle and profit margins are dropping as a result of increased competition from warehouse business retailers.

The reviewed literature supports that these problems are evident in growing small businesses. Typically, entrepreneurs become less innovative and more administrative as their business grows. Timmons states that "it has long been thought that the entrepreneur who clings to the lead role too long during the maturation process will subsequently limit company growth, if not seriously retard it" (181). As a business matures through the high growth stage, Timmons also believes that this is "when he or she finds it necessary to let go of power and control (through veto) over key decisions that he or she has always had, and when key responsibilities need to be delegated without abdicating ultimate leadership and responsibility for results" (184-185). By strategically implementing an entrepreneurial management process, these problems can be overcome and the business can continue to grow. By developing an entrepreneurial culture, employee empowerment, entrepreneurial teamwork, new ventures, strategic planning, and a compensation system that supports and encourages entrepreneurial activities, the entrepreneur can retain his or her responsibility for and control of the overall success of the company. His or her success is determined by how effectively he or she can manage in an entrepreneurial manner. This transition from an entrepreneur to an entrepreneurial manager is easy because his or her new responsibilities are to encourage entrepreneurs and entrepreneurial activities within the organization, something that is familiar to the entrepreneur. Taffi supports the transition from that of an entrepreneur to an entrepreneurial manager. He argues that "it takes an entrepreneur to know an entrepreneur. In other words, the identification of the entrepreneur is measurably enhanced by individuals who themselves can be described as entrepreneurs -- that is, whose professional and personal success depends on their ability to identify and share the risks of the entrepreneur" (28).

In this case study, the Company effectively utilized certain aspects of the entrepreneurial management process. The President is considered and entrepreneur, and the
entrepreneurial culture is strong within the Company. Employee empowerment, entrepreneurial teamwork, and new venture development are also strongly supported by the President. However, the Company needs to improve its entrepreneurial management process in terms of strategic planning and compensation policies that support entrepreneurial activities.

Strategic planning is the most important element of the entrepreneurial management process. According to Taffi, "the absence of top-down strategic planning is another factor that contributed to the demise in past attempts to employ the entrepreneur in a corporate effort. To be effective, entrepreneurial efforts must be driven by strategic purpose and long-term commitments" (19). Where there is the need to look ahead and position the Company's resources strategically to capitalize on today's rapidly changing business environment, strategic planning is the key to sustained growth and fiscal durability. "It is a critical function, intimately related to survival" (19). Duncan agrees that strategic planning is critical to the growth of an entrepreneurial firm. "Internally, a firm must become organized and build a culture conducive to intrapreneurship. It must have a strategic commitment to encouraging creative people and a means of integrating their ideas into a corporate strategy if and when innovation results" (Duncan, 18). Strategic planning would free up the President and other entrepreneurs in the Company from the business aspects of the Company so they can focus their creative talents on developing the company's vision, new ventures, and innovations. It also offers a means to institutionalize an entrepreneurial culture, new venture process, and compensation system.

Strategic planning for the Company's short-term and long-term future is important. By formulating basic strategic plans from careful thought about the mission and objectives of the firm, the Company will have a better chance of success than a firm in which strategy just happens or is poorly planned and communicated. Small business strategic planning includes activities which implement the Company's vision and lead to more effective ways of doing business. Because the Company deals with limited resources, both human and financial, management of the business is more difficult than the management of larger organizations. The President must fully use its resources from the original targets or ideas all the way through planning and implementation. As a small business strategist, he must have knowledge of the management tools available, strategic planning pitfalls to be avoided, and the steps of strategic planning. The President must also have an understanding and practical knowledge of the information necessary "to contend with the complexity of society, the rapid change and
cost of technology, and the increasing rate of service and product obsolescence" (Patterson, 24.2). If the fundamentals are followed, small business strategic planning will help the President provide direction for the Company and help its employees effectively fulfill their roles in the Company.

The Company's compensation policies also need improvement in the context of the entrepreneurial management process. According to Balkin, "a company's pay system, if planned effectively, is a communication tool that reinforces desired employee behaviors and attitudes. If planned in a haphazard way, pay systems may contradict other management policies, teaching employees the wrong behaviors and attitudes and violating their values of equity and fairness. It is difficult to manage the process of innovation when the reward system is perceived as unfair by the employees" (25). Entrepreneurial reward policies should be designed to communicate to employees that entrepreneurial behaviors such as creativity and innovation, a willingness to take risks, cooperative and interactive behavior, a focus on long-term results, the ability and willingness to change, and a tolerance for ambiguity, are not only desirable but necessary in the Company and will be rewarded. Special compensation programs that are different from traditional corporate compensation plans are necessary to properly motivate and support the entrepreneur. Intracapital as a means of supporting intrapreneurial activities in the Company and a more significant profit sharing plan may be implemented to encourage entrepreneurial activities.
Working Hypotheses

The process of research for this case study, from literature review to data analysis, has brought the research to a point of identifying the general findings of this study. The working hypotheses are the result of this process. They are overall impressions and themes which have developed from the analysis reflections in relation to the literature and an understanding of the single case study analysis. The working hypotheses are:

- The entrepreneurial management process is a practical and effective solution to the problems resulting from growth and maturity of a growing entrepreneurial small business.

- The strategic planning focus is a necessary element of the entrepreneurial management process in order for an organization to continue its pattern of entrepreneurial growth.
APPENDICES


Appendix 2.3 Management Functions and Stages of Growth. From Small Business Management by H. D. Broom, Justin G. Longenecker, and Carlos W. Moore.

Appendix 2.4 Strategic Decision Making. From Small Business Management by H. D. Broom, Justin G. Longenecker, and Carlos W. Moore.


Appendix 2.6 Recommendations for Making ICV Strategy Work Better. From "Managing the Internal Corporate Venturing Process" by Robert A. Burgelman.

Appendix 4.1 Tendencies Toward Nonentrepreneurial or Entrepreneurial Activity.

Appendix 4.2 Employee Empowerment Survey Results.

Appendix 4.3 Company’s Financial Information.

Appendix 5.1 Results of the Employee Empowerment Survey.
Appendix 2.1  Dominant Venture Modes and Principal Driving Forces.

Dominant Venture Modes

- Seed/Start-up
- High growth
- Maturity

- Most
- Change and uncertainty
- Administrative
- Least
- Entrepreneurial
- Lifestyle, Mom and Pop ventures
- Mature, bureaucratic dinosaurs
- Least
- Administrative

Entrepreneurial domain  Administrative domain

Principal Driving Forces

- Seed/Start-up
- High growth
- Maturity

- Most
- Change and uncertainty
- Administrative
- Least
- Entrepreneurial
- Flat, adaptive
- Driven by:
  - Founder's goals and values
  - Opportunity focus
  - Resource controlling and minimizing
  - Organization: Formal

- Least
- Administrative
- Flat, adaptive
- Driven by:
  - Few owners
  - Invention or idea/lifestyle
  - No resources
  - Organization: None

Entrepreneurial domain  Administrative domain

Driven by:
- Rejuvenators and innovators
- Opportunity focus
- Resource ownership
- Formal

Driven by:
- Administrators/trustees
- Product focus
- Resource ownership
- Formal
Appendix 2.2  Stages of Venture Growth.

Crucial transitions:

Sales  
0–$3 million  $2–$10 million  $7.5 million +

Employees  
0 to 20–25  25–75  75–100 +

Core management mode  
Doing  Managing  Managing managers
Appendix 2.3  Management Functions and Stages of Growth.
Appendix 2.4  

Strategic Decision Making.
### Appendix 2.5  The Entrepreneurial Components of a Strategic Plan.

<table>
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<th>DEFINING THE ORGANIZATION'S BUSINESS AND STRATEGIC MISSION</th>
<th>ESTABLISHING STRATEGIC OBJECTIVES</th>
<th>FORMULATING A STRATEGY</th>
<th>AN ORGANIZATION'S STRATEGIC PLAN</th>
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<tr>
<td>Developing a clear concept and vision of &quot;who we are and where we are headed&quot;; providing answers to the questions &quot;What customer groups and customer needs will we serve?&quot; and &quot;What is our business and what will it be?&quot;</td>
<td>Translating the chosen strategic mission into specific measurable performance targets and results; agreeing on what is to be accomplished through the organization's activities</td>
<td>Selecting an action-oriented game plan that indicates how chosen objectives will be pursued and what entrepreneurial, competitive, and functional area approaches management will adopt to get the organization in the position it wants to be in</td>
<td>A detailed blueprint indicating the direction and strategy that the organization presently intends to follow in conducting its activities</td>
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## Appendix 2.6  Recommendations for Making ICV Strategy Work Better.

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<td>Corporate management</td>
<td>ICV proposals are evaluated in light of corporate development strategy. Conscious efforts are made to avoid subjecting them to conventional corporate wisdom.</td>
<td>A process is in place for developing long-term corporate development strategy. This strategy takes shape as result of ongoing interactive learning process involving top and middle levels of management.</td>
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<tr>
<td>NVD management</td>
<td>Middle-level managers in corporate R&amp;D are selected who have both technical depth and business knowledge necessary to determine minimum amount of resources for project, and who can coach star players. Middle-level managers are responsible for use and development of venture managers as scarce resources of corporation, and they facilitate intrafirm project transfers if new-business strategy warrants it.</td>
<td>Substantive interaction between corporate and middle-level management leads to clarifying merits of new business field in light of corporate development strategy.</td>
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<td>Group leader/venture leader</td>
<td>Project initiators are encouraged to integrate technical and business perspectives. They are provided access to resources. Project initiators can be rewarded by means other than promotion to venture manager. Venture managers are responsible for developing functional capabilities of emerging venture organizations and for codification of what has been learned in terms of required functional capabilities while pursuing new business opportunity.</td>
<td>Slack resources determine level of emergence of mutant ideas. Existence of substantive corporate development strategy provides preliminary self-selection of mutant ideas.</td>
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Appendix 4.1  Tendencies Toward Nonentrepreneurial or Entrepreneurial Activities.
## Appendix 4.2  Employee Empowerment Survey Results.

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### Appendix 4.3  Company’s Financial Information.

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</tr>
<tr>
<td>Total Personnel</td>
<td>74</td>
<td>68</td>
<td>66</td>
<td>56</td>
<td>52</td>
<td>38</td>
<td>30</td>
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</tbody>
</table>

Total Sales Trend (% of total sales by location, * less than 1%)

| Area #5 | 8%   | 9%   | 8%   | 6%   |      |      |
| Area #1 | 44%  | 49%  | 47%  | 59%  | 64%  | 70%  | 70%  | 67%  |
| Area #4 | 9%   | 11%  | 10%  | 10%  | 5%   |      |      |
| Area #2 | 18%  | 16%  | 19%  | 21%  | 20%  | 18%  | 21%  | 12%  |
| Area #3 | 16%  | 12%  | 12%  | 4%   | 10%  | 3%   | 3%   | 1%   |
| Area #6 | 4%   | 3%   | 4%   | 1%   |      |      |

Total Sales Trend (% of total sales by category, * Computers included within Machines category. Expressed separately as % of total sales)

| Machines | 44%  | 42%  | 46%  | 39%  | 39%  | 42%  | 42%  | 48%  | 68%  |
| Services | 28%  | 27%  | 26%  | 28%  | 27%  | 25%  | 20%  | 11%  |
| Supplies | 17%  | 21%  | 21%  | 22%  | 23%  | 23%  | 21%  | 19%  |
| Furniture | 8%   | 9%   | 7%   | 9%   | 5%   | 6%   | 6%   | 6%   |
| Leases and Rentals | 1%  | 1%   | 1%   | 2%   | 6%   | 6%   | 6%   | 6%   |

*Computers *10%
Appendix 5.1

Results of the Employee Empowerment Survey.

Company-Wide Empowerment

Employee Empowerment Survey Results
Shared Vision

Employee Empowerment Survey Results

Trust and Loyalty

Employee Empowerment Survey Results
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