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UNDERSTANDING BUSINESS

SECOND EDITION



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UNDERSTANDING BUSINESS

SECOND EDITION

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How many of the landmarks can you identify? They are listed below.

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 ■ Tower of Pisa ■ Guggenheim Museum, N.Y.C. ■ Lever House, N.Y.C. ■ U.S. Capitol ■ Washington Monument ■ Pyramids at Giza
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 ■ Renaissance Center, Detroit

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THINKING IT THROUGH

Do you know anyone who seems to have the entrepreneurial spirit? What about him or her makes you say that? Are there any similarities between the characteristics demanded of an entrepreneur and those of a professional athlete? Would an athlete be a good prospect for entrepreneurship? Why or why not? Could teamwork be important in an entrepreneurial effort?

Entrepreneurs of the 1990s

Entrepreneurship can be learned. Witness the rapid growth of entrepreneurial courses at leading colleges all across the country. Management specialist Peter Drucker feels that in the future people with college training and some corporate experience will do much better as entrepreneurs *in the long run*. Drucker feels this college and corporate training will give the new entrepreneurs certain tools (skills). The more tools you have, the greater your chance for success.

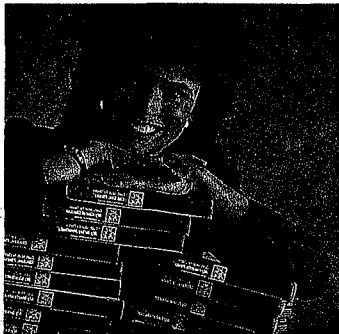
If you want to describe what the entrepreneur of the 1990s will be like, you could not do better than to write the biography of Mary Anne Jackson. Jackson is both an M.B.A. (she has a Masters degree in business) and a C.P.A. (she is certified in public accounting). For eight years, she did financial and strategic planning at Beatrice Companies. Before that, she worked at two leading accounting firms. What is most interesting about Jackson is that she is quite different from the entrepreneurs of the 1980s. They tended to be visionaries who were young, self-made, intuitive, rash, and better at starting a firm and creating excitement about a project than planning, organizing, and controlling. Jackson has strong management as well as leadership skills. (A manager is good at planning, organizing, and controlling while a leader inspires people and brings out the best in them by presenting them with a vision and being a model.)

As a result of a leveraged buyout, Jackson found herself without a job, but with excellent managerial experience. She began looking about for a market opportunity. She surveyed the market and found a great demand for nutritious, quick meals that busy active and working mothers could serve their children. After extensive market research, she determined just what those meals should look like and contracted with experienced firms to make those products. She called them My Own Meals because young people could easily identify with the plastic pouched meals that are popped into a microwave oven or boiled.

The development of My Own Meals, Inc., is a lesson in planning and careful management. Jackson broke the start-up process into 20 separate steps: setting up an office, developing the product, testing the market, and so forth. She implemented those steps in a professional and controlled manner. She also has long-range plans, and growth rates will be strictly controlled. Sales are expected to be \$1 million in the first year, \$10 million the second, and \$60 million in the fifth year.

Entrepreneurs like Mary Anne Jackson are different than the entrepreneurs of the 1980s such as Steve Jobs (Apple Computer), Nolan Bushnell (Atari and Pizza Time), and Bill Gates (Microsoft). Some of the differences between the entrepreneur of the 1980s and the entrepreneur of the future are likely to be:⁶

- * More education. The new entrepreneur is likely to have a business degree or an M.B.A.
- * More experience. Future entrepreneurs are likely to come from major corporations where they learned managerial skills.



Mary Anne Jackson used her education and managerial experience to form a successful new business, My Own Meals, Inc. This nutritious food alternative represents carefully designed and implemented research and management skills. Jackson is one of the entrepreneurs of the future.

- Age. New entrepreneurs will be older since they will be starting their businesses later in life.
- More reliance will be placed on deliberation and considered judgment than on instinct and reflex as in the past.
- More planning, organization, and control will be used and less reliance will be placed on emotion and seat-of-the-pants decision making (that is, reacting to crises as they occur).
- New entrepreneurs will have the same enthusiasm, drive, and leadership ability, but will also have the education and managerial skills to carry out the venture for the long run.

The fact that we can name the successful corporate entrepreneurs from the past indicates that it is not easy to be such a person. It makes sense, does it not, that several people together may have a better chance of having all the skills and experience needed to start a new venture? That is what we shall discuss next.

Entrepreneurial Teams

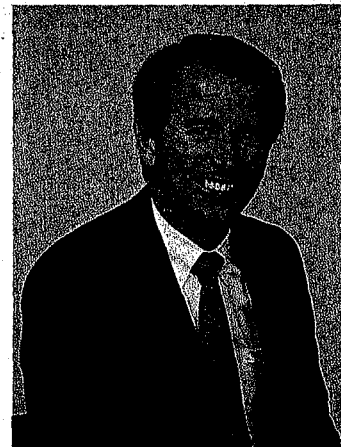
An **entrepreneurial team** is a group of experienced people from different areas of business who join together to form a managerial team with the skills needed to develop, make, and market a new product. A team may be better than an individual entrepreneur because it combines creative skills with production and marketing skills right from the start. The team assures more cooperation and coordination among functions.

One of the exciting new companies that developed in the 1980s was Compaq Computer.⁷ It was started by three senior managers at Texas Instruments: Bill Murto, Jim Harris, and Rod Canion. All three were bitten by the entrepreneurial bug, and decided to go out on their own. They debated starting a Mexican restaurant, a company to produce hard disks for computers, or a business built around a beeping device for finding car keys. However, they finally decided to build a portable personal computer compatible with the IBM PC.

The key to Compaq's success was that it was built around this "smart team" of experienced managers. The chief executive officers in such firms are not order givers, but coordinators whose main task is to tap the potential of their "teams." A study of 90 West Coast companies found that a strong management team was the top priority for success. At Compaq, the team wanted to combine the discipline of a big company with an environment where people could feel they were participating in a successful venture. The trio of corporate entrepreneurs recruited seasoned managers with similar desires. They recruited a 14-year veteran from Texas Instruments to set up a state-of-the-art accounting system. A senior vice president from Datapoint became operations manager, and an IBM veteran became the sales and resource manager.

All the managers work as a team. That is, the company's treasurer and top engineer contribute to production and marketing decisions. Everyone works together to conceive, develop, and market products. In its first year, Compaq generated \$11 million in sales, the hottest performance in the history of American business. Compaq's sales soared 95 percent to \$1.2 billion, and soon Compaq ranked fifth in *Fortune* magazine's list of the 25 fastest-growing U.S. corporations. The success of Compaq can be traced to its entrepreneurial team.

entrepreneurial team
A group of experienced people from different areas of business who join together to form a managerial team with the skills needed to develop, make, and market new products.



In February 1982, Compaq Computer Corporation was formed. Rod Canion is one of the managers of an entrepreneurial team responsible for forming this new venture. Using the talents of all team members, Compaq has soared to the top of its industry.

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