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**AUTHOR** Ashmore, M. Catherine; Pritz, Sandra G.  
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**ABSTRACT**

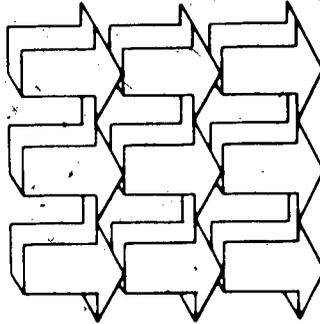
This individualized, competency-based unit on determining one's potential as an entrepreneur, the second of 18 modules, is on the third level of the revised Program for Acquiring Competence in Entrepreneurship (PACE). Intended for the advanced secondary and postsecondary levels and for adults wanting training or retraining, this unit, together with the other materials at this level, emphasizes the actual application of a business plan. Three competencies are dealt with in this instructional unit, including (1) considering the personal qualifications and abilities needed to manage one's own business; (2) evaluating one's own potential for decision making, problem solving, and creativity; and (3) determining one's potential for management, planning, operations, personnel, and public relations. Materials provided include objectives, preparation information, an overview, content (with questions in margins that guide the students' reading), activities, assessment forms, and notes and sources. The unit requires using approximately three hours of class time. (YLB)

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# PACE

REVISED

Program for  
Acquiring  
Competence in  
Entrepreneurship



UNIT 2

- Level 1
- Level 2
- Level 3

# Determining Your Potential as an Entrepreneur

Developed by M. Catherine Ashmore and Sandra G. Pritz

**You will be able to:**

- **Consider the personal qualifications and abilities needed to manage your own business.**
- **Evaluate your own potential for decision making, problem solving, and creativity.**
- **Determine your potential for management, planning, operations, personnel, and public relations.**

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CE 035712

Research & Development Series No. 240 CB 2



## BEFORE YOU BEGIN . . .

1. Consult the *Resource Guide* for instructions if this is your first FACE unit.
2. Read the Unit Objectives on the front cover. If you think you can meet these objectives now, consult your instructor.
3. These objectives were met at Levels 1 and 2:

### Level 1 -

- Define entrepreneurship
- Recognize the personal qualities and skills needed to be a successful entrepreneur
- Compare the advantages of owning a business with the advantages of working for someone else
- Assess your own ability to be a successful entrepreneur

### Level 2 -

- List your entrepreneurial skills
- Determine what motives you may have for starting your own business
- Evaluate the different types of business opportunities that relate to your own entrepreneurial skills
- Identify the best type of business for your motives and skills

## DETERMINING YOUR POTENTIAL AS AN ENTREPRENEUR

### WHAT IS THIS UNIT ABOUT?

The skills and motives of entrepreneurs are the most important elements in the success of a new business venture. Before examining the types of business opportunities available, a would-be entrepreneur should evaluate what personal strengths and weaknesses and what motives will be present in the start-up of the venture. By examining all the hats an entrepreneur must wear, an entrepreneur can begin identifying early what areas of the business may require additional expertise.

Many different decisions are involved in selecting a type of business opportunity, such as—

- what legal form the company will take,
- what the market entry method will be,
- what type of business activity will be chosen for the venture.

Each of these decisions will be based on the abilities and motives of the entrepreneur as well as the availability of opportunity, capital, and resources.

The best type of business is the one that makes use of and maximizes the assets of the entrepreneur and minimizes his or her weaknesses. Most successful entrepreneurs have had previous experience in the field of activity they choose to start a business in.

In considering your personal qualifications for managing any enterprise, there are several steps you can take to try to determine your strengths and weaknesses.

In the following pages, you will see what skills are needed to run a business. Then, as you work to discover your own potential, recall your past experiences and talk with business peers, consultants, and other entrepreneurs. Make a personal checklist of strengths and weaknesses based on the discussion that follows. The more accurately you assess your own strengths and weaknesses, the better you will direct your use of other resources, such as capital, outside experts, and labor.

### HOW CAN YOU EVALUATE YOUR POTENTIAL?

Table 1 defines the three areas of activity in which you will need to evaluate your own potential. Your abilities in the *affective* area are intuitive abilities.

Your abilities in the *cognitive* area are based on your reasoning processes, and include perception, memory, thought association, and judgment skills.

Your abilities in the *manipulative* area are based on the manual dexterity you've achieved in physically performing the job.

TABLE 1

AREAS OF MANAGEMENT EXPERTISE/SKILLS

AFFECTIVE	COGNITIVE	MANIPULATIVE
Human relations ability	Organizing ability	Physical skill ability
Communications ability	Problem-solving ability	
Creative ability	Decision-making ability	
	Technical knowledge	

In assessing your affective skills, remember that these are your links to the marketplace. They will be most instrumental in determining the level of effectiveness of your marketing, promotion, and sales. Today's complex economy, with its wide variety of choices makes it even more important that the entrepreneur be able to use effective sales techniques in every level of the operation. The indifference and skepticism that exist in the marketplace require the entrepreneur to possess great competence in human relations and communications in order to deal successfully with suppliers, customers, employees, and the community.

WHAT IS CREATIVITY?

Creativity is often described as the entrepreneur's ability to combine old and new ideas into some socially useful new one. In assessing your own strengths, remember that creativity is not the private domain of a few creative geniuses who can paint, write, sculpt, or interpret. Creativity is often hidden behind years of practice. The elements mentioned by many experts as being basic to creative thinking include the following:

- Fluency of thought—being able to progress from one idea to another through thought association.
- Flexibility—not being so opinionated or self-assured that once a thought is fixed, you can't view and review it objectively, recognizing potential weaknesses in the idea.
- Originality—not having a "me too" attitude that echoes the opinions and positions of others; it is drawing truly personal insights and evaluations of situations and ideas.
- Awareness—being observant of what is going on in the immediate environment, as well as developing a perspective of the bigger picture.
- Drive—being enthusiastic and focused on accomplishing goals, with some time pressure pushing you to attain the goal.

Some of the blocks to using your creativity include the following:

- Cultural up-bringing—not being able to shake off the taboos, conceptions, and perspectives of an inbred cultural standard.
- Environmental blocks—looking at things as they relate only to your immediate environment; not being able to “see the forest for the trees.”
- Fixation—having ideas so firmly implanted that you never suspect they may change, or subject them to review or to alternative interpretation (for example, fixed costs of an enterprise).
- Perception—being subject to accepting perception as fact, including the perception you may have about your own lack of creativity.
- Habit—the most insidious blocks to creativity; being so routinized that you never give the problem conscious thought. This is where the “eyes of a child” can offer new and startling ideas. Overcoming habits can offer some of the most simple and saleable creative ideas.
- Problem-solving languages—the state of being so logically oriented, trained, and practiced that the very language blocks your creativity.

**WHAT ABOUT YOUR  
CREATIVITY?**

Use the following checklist to evaluate your own creative strengths and weaknesses. Do you possess:

1. Curiosity—inquisitiveness
2. Flexibility—openness of mind
3. Sensitivity—receptiveness
4. Motivation—restless urge to acquire knowledge
5. Positive human relationships
6. Capacity for team work
7. Intellectual discipline
8. Complexity—ability to entertain two seemingly conflicting ideas
9. High need for achievement
10. Tolerance for ambiguity
11. Persistence in the face of failure
12. Individuality

Do you work better when you have the following?

- Freedom to work, think, and express; absence of pressure to conform
- Less emphasis on rules and regulations; more emphasis on interpretation and nonauthoritarian attitudes
- A tolerant attitude about mistakes
- Rewards for innovations; credit for creative handiwork
- An attempt to use innovations
- No impulsive evaluation; critical judgment on new ideas is deferred
- A sympathetic regard for your findings, even if they are not immediately useful
- Satisfaction of your needs
- An attempt to use ideas from everywhere

After analyzing your own creative potential, determine if there are ways to correct your weaknesses or improve your strengths. Decide whether your creativity is being weakened by any of the blocks listed earlier.

**WHAT'S INVOLVED IN  
COGNITIVE ABILITY?**

Analyzing information and data, pinpointing problems and sources of the problems, and figuring out ways to solve the problems are some cognitive reasoning abilities related to success as an entrepreneur. Another important cognitive ability is the ability to make decisions based on the information or data you have analyzed, the problems you have identified, and the alternate solutions you have come up with. You may not have been born with these skills, or they may not be easy for you, but they can definitely be developed.

**SHOULD YOU START A  
BUSINESS?**

Right now you may be faced with one of the most important decisions of your life: Should you start your own business? Should you become an entrepreneur? You have already begun to identify what is needed to be personally successful in business. You have also given some thought to how well you measure up.

As you are developing your list of strengths and weaknesses in the cognitive skills, you can use the exercise for a dual purpose. You can begin to identify the reasons why you may or may not want to become an entrepreneur, while also evaluating your ability to solve problems.

**WHAT ARE THE DECISION-  
MAKING STEPS?**

Use the steps of the decision-making process in table 2 to:

1. identify your general ability to accomplish the step;
2. complete each step in your personal evaluation of the pros and cons of becoming an entrepreneur.

**TABLE 2**

1. Identify the problem.
2. Clarify and define the problem.
3. Identify alternative solutions (at this stage, list all possible alternative solutions without critical evaluation).
4. Collect information on the alternative solutions; define and prioritize the values of each alternative solution.
5. Evaluate the advantages and disadvantages of the possible solutions.
6. Choose a best alternative. This may not be the perfect solution, but at least it should seem to be the best one at this point in time.
7. Decide how to implement the best alternative and take action.
8. Decide how to evaluate the results. How will you know when you have reached your goal?

Let's take a simple example through all the steps. Sue Rembrandt has been working for six years in an antique store owned by a friend. She likes the work and she has learned a great deal about the antique business, but she is tired of always working for somebody else. She knows she is a good saleswoman, and she would like to be getting the profits that her selling brings in, rather than have the profits go to the store. She is considering opening her *own* antique store. See all the steps that Sue goes through to evaluate her situation and work towards making an intelligent decision about her worklife.

**Step 1. (Identify the problem.)** Should Sue quit her job and go into business for herself?

**Step 2. (Clarify and define the problem.)** Should she quit her job and open an antique shop in her home?

**Step 3. (Identify alternative solutions.)**

- Keep her job.
- Quit her job and open her own antique shop.
- Keep her job and begin her own shop as a sideline in her spare time.
- Keep her job and buy and sell antiques to other dealers as a sideline.

**Step 4. (Collect information on alternatives; define and prioritize solutions.)**

- **Keep her job.** This will give her financial security; her medical insurance will be paid for her, for example, and she will remain debt-free. She will also continue to gain more technical information about antiques and the antique business. She decides that on a scale of zero to ten, the paid medical insurance is worth about a priority weight of +4 to her, remaining debt-free is worth about +2, and gaining yet more technical information is worth about +3.
- **Quit her job and open her own antique shop.** She figures that within two years, she will have an income of \$20,000 a year; she gives this a weight of +10. She will also be able to have a flexible time schedule, which she does not have now; she gives this a priority weight of +8. To make a go of the business, she will need a lot of support and involvement from her family, at least for the first two years or so. Her family is willing to do this, and since she would like to be able to spend more time with her family, anyway, she gives this a priority weight of +9.
- **Keep her job and begin her own shop as a sideline.** This alternative does not appeal to Sue at all, because it would wipe out all the advantages of having any time to herself at all. She does not feel she has the energy to handle two jobs at once, so she decides not to consider this alternative at all.
- **Keep her job and sell antiques to other dealers as a sideline.** Sue thinks she will have the same problem with this alternative as she will with opening her own shop as a sideline. She decides to dismiss this alternative.

**Step 5. (Evaluate the alternatives.)** Sue does this by lining up the elements of her solutions in a list, with the elements priority weights under the alternative solutions. In this way, she can clearly see where the advantages and disadvantages are for each alternative. Study the following matrix to see how Sue arranged her priorities.

As can be seen from the matrix in Step 6, Sue should choose to go into the antique business and quit her job. This decision is based on only those values listed.

How do values enter into the decision to become an entrepreneur? Prioritizing the most important alternatives (Step 6) was completed by considering and comparing a set of values. Your own personal evaluation of the pros and cons of becoming an entrepreneur should be defined in greater detail.

Once a decision is made about the best alternative, you should develop plans to implement the action. (Step 7). Here are some aids to developing a successful action plan:

ELEMENTS OF THE SOLUTIONS	ALTERNATIVE EVALUATION/WEIGHTS	
	Keep Job	Open Antique Shop
Earn \$20,000 a year	0	+ 10
Medical insurance paid	+ 4	0
Remain debt-free	+ 2	0
Flexible time schedule	0	+ 8
Technical information	+ 3	0
Family support and involvement	0	+ 9
	9	27

1. Determine what is to be done and why.
2. Eliminate vagueness; specify times and activities.
3. Establish measurable objectives toward which performance can be directed.
4. Allow for frequent evaluation.
5. Identify priorities.
6. Provide continuity.
7. Avoid waste of time, money, and so forth.
8. Ensure sufficient use of resources.

There is still one step to complete—Step 8, decide how to evaluate the results. How will you know when you have reached your goal? In this example, opening the antique business would complete the goal.

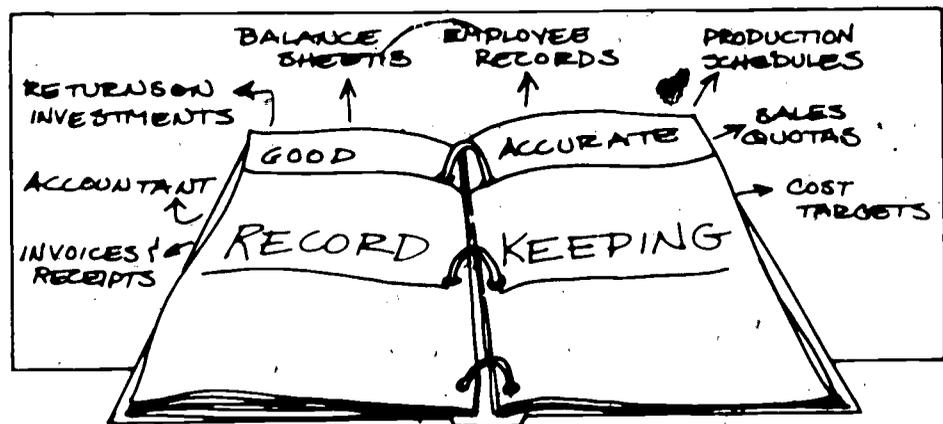
In your own personal evaluation, you will determine whether or not you reached your goal when you put Step 6, "the best solution" into effect.

Use the example of Sue as an outline to work through each of the steps. Take two separate pieces of paper. Title one "Strengths and weaknesses of my cognitive abilities." Using each step of table 2, list your cognitive abilities as strengths or weaknesses, based on your past experience with problem solving. Do you find you can identify and define problems, but that you don't always thoroughly examine the alternatives? Do you falter when it comes to turning your decision into action?

On the second sheet, state the decision you'd like to evaluate. For example, should you quit your job and open your own business? Or should you go right from school to your own business or work for someone else first? Use a dilemma that could keep you from becoming an entrepreneur.

### WHAT DOES IT TAKE TO RUN A SUCCESSFUL BUSINESS?

The first requirement of running a successful business is to know your own limitations. How much business can you handle with the resources you have? Your resources—people and money—must be able to generate a reasonable profit and establish and maintain goodwill with customers and employees. As a prospective entrepreneur, you should take a close and realistic look at the product your business will sell and what profit you can expect. If expenses are \$1,000, then you must make \$1,000 just to break even. After needed earnings have been determined, other factors should be considered. These other factors include amount of sales required to attain the desired profit, credit policy toward customers, credit time given by suppliers, and what capital items—such as transportation, fixtures, and equipment—you will need.



Second, keep accurate and up-to-date records, including records of such aspects of the business as production schedules, sales quotas, cost targets, and returns on financial investments. Watch the balance sheet, and make sure the assets and liabilities are in proper balance. Bank officials, when asked for additional capital to expand inventory will take a hard look at your balance sheet to see how you have conducted your business in the past. However, avoid unnecessary recordkeeping. Have an accountant analyze your books regularly. You will need to base critical decisions on the business data you have available. Good records, therefore, take out much of the guesswork and provide you with a sound basis for making good decisions, in addition to keeping you informed of the progress toward your business goals. Unit 3 of the PACE curriculum provides an excellent "know-how" exercise for simple and effective recordkeeping.

Third, do not drift into decisions. Analyze factors and make proper decisions based on factual data. Proper planning is essential to success. Investigate before you plunge into any decision. Don't make wrong decisions impulsively when you are offered get-rich-quick schemes. Most starting entrepreneurs are easy targets for unethical practices. Get all the information and then check it out.

Fourth, be cautious about the amount of money you take out for personal use. You must always keep enough money on hand to pay for established costs.

Fifth, the effect of your personal health on business success is important. A successful entrepreneur needs to be healthy. Avoid unnecessary stress, practice good working habits, work reasonable hours, and maintain a balanced diet and exercise program.

Finally, owning a business requires greater self-control than working for someone else; exercise self-discipline. The business will suffer over the long-run if you do not follow these rules.

#### WHAT ARE SOME OF THE PITFALLS?

Before you start out as an entrepreneur, you should be aware of the pitfalls of the business world. The ultimately successful company is able to avoid these pitfalls. Unfortunately, many businesses do not survive.

Slow sales, heavy operating expenses, inventory problems, and poor location are some of the reasons for business failures. A closer review of these pitfalls reveals that poor management is the common factor underlying all these problems. More than 90 percent of business failures are due to managerial incompetence and inexperience.

Lack of experience in supervising or in performing management functions is a serious problem. The ultimate failure of a business is often directly related to the owner's lack of experience in accounting, purchasing, pricing, advertising, budgeting, and other functions of management. You should obtain ample training prior to opening a business.

#### WHY IS CASH FLOW SO IMPORTANT?

The importance of maintaining a healthy financial position is often overlooked by beginning entrepreneurs. Some business owners allow working capital to get too low. They forget that cash flow is very important. Often, they tie up so much capital in fixed assets that day-to-day operating costs can't be met. Market opportunities are lost for lack of cash flow.

#### HOW CAN PLANNING HELP?

The importance of planning is also overlooked by entrepreneurs. Most businesses that do not establish meaningful plans are unsuccessful. Planning allows you to take advantage of opportunities that arise and to minimize your business problems. Planning helps keep your efforts focused on the goals. Without planning, you may be doing things right and not realize that they are the wrong things to do until the business fails.

#### HOW DOES DELEGATING RESPONSIBILITY HELP THE ENTREPRENEUR?

Most small business owners have more to do than their time allows. Entrepreneurs need to learn how to use their time wisely. They may spend valuable time doing insignificant tasks, leaving important jobs undone. You will need to establish schedules for yourself and delegate some of your routine responsibilities to employees. That way, you will have more time free to get the important jobs done.

**WHAT WILL A SUCCESSFUL  
MARKETING STRATEGY  
INCLUDE?**

The first concern of every business is to sell. The best products, equipment, facilities, and personnel will not make a business successful unless they stimulate sales. You will need to develop a complete, organized marketing strategy that includes not only personal selling, but also appropriate pricing, advertising, and sales promotion programs. Distribution tactics are also necessary.

**ARE ENTREPRENEURS WELL-  
EDUCATED PEOPLE?**

Many of the outstanding entrepreneurs of this century had little formal schooling. More recently, research shows that today's successful entrepreneur often has more formal education than the average American. This is in large part due to the emerging technologies.

It is difficult to determine just how much education is needed to become a successful entrepreneur. The best guide is to determine how much you know about the business you are considering and how much you know about management techniques. If you are weak in either of these areas, the alternatives might be more education or use of outside experts.

As you work to determine your own potential and desire for managing your own business venture, consider what outside forces can affect the successful operation of your business. In table 3 on page 13 of the Small Business Administration's 1982 annual report to Congress there is a summary of the most important small business problems from 1974 to 1981. These are potential pitfalls every entrepreneur has to deal with. You can use your skill as an entrepreneurial problem solver to determine how best to handle these external factors. The Small Business Administration predicts that a changing financial market will provide both new challenges and new opportunities to small business owners. They will have to be more skillful in managing their own cash flow and in utilizing their assets in view of the expected rise in the real cost of borrowing. The age of low real interest rates seems to be over. When the American economy resumes its growth under a policy of moderate and stable monetary growth, interest rates will decline. The economic readjustment of the 1980s will demand greater ingenuity and persistence from small businesses.

To help you determine your own potential as an entrepreneur, use the actual case history (which follows), in which an entrepreneur is asked to provide a "Resume of Accomplishments" to the lender. The degree of experience and entrepreneurial characteristics were judged sufficient, along with the business idea, to warrant a significant commercial venture loan.

In analyzing the case study, look for the statements that indicate experience, as well as skills in problem solving, creativity, risk taking, human relations, communications, technical know-how and organizing. Can you relate these kinds of activities and characteristics to your own "resume of accomplishments?" You can include schooling, part-time jobs, home-making, volunteer work, or any other facet of your life that involves use of your talents.

TABLE 3

SINGLE MOST IMPORTANT SMALL BUSINESS PROBLEMS, 1974-1981

Most Important Problem	1974			1975			1976			1977			1978			1979			1980			1981											
	Jan Rank	July Rank	%																														
Taxes	3	10	3	10	3	11	2	19	2	17	2	22	2	21	2	19	2	22	2	21	2	15	2	15	3	15	2	18	3	16	3	15	
Inflation	2	23	1	36	1	37	1	27	1	28	1	25	1	24	1	27	1	25	1	33	1	36	1	39	1	35	1	33	1	32	2	26	
Inadequate Demand for Protection	9	2	9	1	9	1	6	8	6	8	5	8	3	8	4	7	5	8	3	8	2	9	2	8	3	5	7	4	5	5	5		
Interest Rates Financing	5	8	2	12	2	13	4	8	5	8	5	7	7	5	8	4	7	5	5	7	3	11	3	9	2	16	3	15	2	25	1	31	
Min. Wage Labor Cost	8	3	8	4	7	4	8	5	6	6	6	6	5	7	5	8	4	8	5	7	5	7	6	5	7	4	8	3	7	4	9	3	
Other Govt. Reg/Red Tape	5	8	5	8	4	9	3	12	3	13	3	14	3	12	3	12	3	12	3	12	3	10	4	9	3	9	4	9	4	8	4	5	5
Competition from Large Business	5	8	5	8	5	8	4	8	4	10	4	9	4	10	4	9	4	8	7	6	5	7	6	5	5	5	6	5	4	5	5	5	
Quality of Labor	3	10	5	8	6	5	6	6	6	6	7	5	6	6	6	7	6	7	4	8	5	7	5	6	5	5	6	5	8	3	8	4	
Shortage of Fuel, Goods or Material	1	23	4	9	7	4	9	2	9	1	9	1	9	2	9	1	9	1	9	1	9	1	6	5	8	3	9	1	9	1	*	*	
Other No Answer	--	5	--	4	--	8	--	7	--	6	--	8	--	9	--	8	--	8	--	5	--	5	--	5	--	5	--	5	--	4	4	6	
Total	100%	100%		100%	100%		100%	100%		100%	100%		100%	100%		100%	100%		100%	100%		100%	100%		100%	100%		100%	100%		100%		

SOURCE: Quarterly Economic Report for Small Business, National Federation of Independent Business, various editions.

\*Less than 1 percent.

Prepare your own Resume of Accomplishments. Do you think you are a potential entrepreneur? The remaining units of the PACE curriculum will provide you with a workable plan of action for successful entrepreneurship. The following case study will help you to think about how it might feel.

### **"Resume of Accomplishments" for an Entrepreneur**

As promotion manager for *The Daily Newspaper*, I managed the promotion function without the aid of a full-service advertising agency by using internal expertise as well as through the use of a la carte suppliers. I produced a comprehensive and coordinated promotion effort for less money than the previous year, and enabled my newspaper to hold the line on subscriptions while most other evening dailies across the country declined. I assisted in devising a rationale, based on readership statistics instead of circulation statistics, that was eventually used in contractual negotiations.

By working closely with the creative director of television spots, I produced four 30-second television spots for \$20,000, and was also able to provide the company with a ten-minute film at no cost. I was also able to extend the usefulness of the four 30-second spots by using local facilities to fill in frequent changes in the basic format.

The challenge with the morning newspaper promotion was finding ways to provide continuous coverage at effective levels on a small budget. Because of my past media experience, I was able to work closely with the ad agency to recommend a unique program, by which the four highest-rated local disc-jockeys delivered the advertising in their own words (based on a structured format). The advertising seems so spontaneous that friends phoned in to ask why a disc-jockey had given us free publicity.

**Advertising Agency:** As media director for a medium-sized advertising agency, I planned and placed the ads for a local bank. Research showed that people seemed to think that the bank did more advertising than any other bank in the city, but competitive figures showed that the bank actually spent less on advertising than any other bank. The success of their ads was due to the creativity as well as the scheduling and concentration of the media presentations.

While media director, I was able to assist a national industrial manufacturer to develop a market for their product in the secondary oil recovery market. While researching this, I discovered a previously unsuspected field use for some of their products. I also discovered a distributor network already in place for the potential new markets.

While assisting a national commercial agriculture company to develop new mailing lists, I uncovered an entirely new advertising market in the construction operations/management field.

**Telephone Answering Service:** In researching the need for a telephone answering service to handle calls for a proposed hospital, I immediately made plans to open my own telephone answering service

in Virginia. Because my timing and the services provided were on target, I put the business on a break-even basis in six months, and was operating at a profit within one year.

**U.S. Marine Corps:** In the Marines, I discovered that hard work, dedication, and enthusiasm can overcome the hardcore cynicism of the toughest military service in America. I was my platoon leader, and an outstanding recruit, winning the top award of Private First Class and dress blues right out of boot camp.

I was assigned as society editor of the base newspaper, and was granted permission to turn in feature stories in other areas, as well. As a result, I was able to write the front page article on the retirement of a division commander. The story was chosen over the one turned in by an assigned reporter (a sergeant), and it was picked up by the Associated Press and run in many papers in the surrounding region.

## ACTIVITIES

The following activities are designed to help you develop insights, opinions, questions, answers, and attitudes.

### INDIVIDUAL ACTIVITY

How great is your need for achievement? Answer these questions on a separate piece of paper.

1. Do you like to take personal responsibility for getting jobs done?
2. Do you prefer games of skill to games of chance?
3. Do you like to take moderate risks rather than very high or very low risks?
4. Do you like to know how you have done?
5. Do you tend to persist in the face of difficulties?
6. Do you tend to be active or restless?
7. Do you like to take the initiative?
8. Are you always slightly discontented?
9. Are you willing to try more than one approach to solving a problem?
10. Do you select work partners who are experts rather than friends?
11. Do you see your present activities as important to your future growth?

More "yes" than "no" responses to the questions might indicate that, like other entrepreneurs, you are a person motivated by a high need for achievement.

### INDIVIDUAL ACTIVITY

On a separate piece of paper, answer the questions below. Do they describe you?

- A. Do you constantly make wagers?
- B. Do you constantly take chances?
- C. Do all your thoughts and fantasies center around that big win?
- D. Do you keep on trying even when you are usually losing?
- E. Can you stop once you win?
- F. Are you tempted to risk everything on one last try?
- G. Do you love the thrill of gambling?

More "no" than "yes" answers indicate that you are not a gambler, but possibly a moderate risk taker.

**GROUP ACTIVITY**

This activity should be done in a group of two or more. To determine your risk-taking rating, obtain a set of three rings (metal, plastic, or rubber) six inches in diameter and a one and one-half foot peg about one inch in diameter. Set the peg firmly in the ground and measure off 50 feet from the peg, drawing a line at each one-foot interval.

Give each person in the group three chances to toss the rings on the peg, selecting his or her distance from the peg. For each person, record the distance and success or failure of each throw. In the second round, introduce monetary rewards. Record the success/failures and distances of each throw. A couple of suggestions are: a person pays if he or she misses a toss; a person gets twenty cents if he or she scores a throw from less than twenty feet away, gets fifty cents if between twenty to thirty-five feet, and gets a dollar if between thirty-five to fifty feet.

Discuss briefly each person's distance and success/failure rates, the feelings involved, the levels of risk taken, and reasons for deciding distances. Discuss what effect the monetary rewards system has on the risk-taking pattern. Who took too much and who took too little risk? What were their scores at the different distances? How did those who chose "average" distances perform? How did their chances of success differ from those who tossed from longer or shorter distances? How did things change with the introduction of the monetary rewards?

**INDIVIDUAL ACTIVITY**

List the entrepreneurial skills you believe will be important to your own business success. Write a paragraph describing your own strengths or weaknesses in each area.

**INDIVIDUAL ACTIVITY**

Ask a local entrepreneur to spend one hour with you. Review your list (drawn up in the previous activity) and discuss it with the entrepreneur. Find out if you and the entrepreneur agree or disagree on the points on your list. Write a report telling how you intend to deal with any weaknesses. Give actual action plans for solutions to the problems. Determine how much time, effort, and money it would cost to offset any serious weaknesses. Should you reconsider the kind of business you anticipate owning?

**INDIVIDUAL ACTIVITY**

Get the questionnaire "Are You Ready to Become an Entrepreneur?" from your instructor. Complete it and use it as a guide in continuing toward successful entrepreneurship.

**GROUP ACTIVITY**

As a class activity, ask a local entrepreneur to agree to let your class do a time and motion study on the business for one week. Assign several class members to rotate daily. Reports should be given daily, and at the end of one week. Make a flow chart showing activities in the three areas of business skills—**affective, cognitive, and manipulative**. The flowchart should show the major shifts of entrepreneurial activity in each day as well as over the week.

Invite the entrepreneur to come to your class and listen to the description of the level of activities. Does he or she agree with the class observation?

## ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of the information in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. What are the three areas of skills needed to be a successful entrepreneur?
2. Describe how each of these skill areas are necessary to the business.
3. What are some of the blocks to creativity?
4. What's involved in decision making?
5. Assess your own potential and ability for being creative and making decisions. Give examples that would show that these skills could be used to effectively run a business.
6. From table 2 (single most important small business problems) select what you feel will be the top three problems for the business you would enter. Tell why they would be a problem and how you would solve the problems.
7. What does it take to run a successful business?
8. After you have answered the questions designed to help you decide what is needed to become a successful entrepreneur, evaluate your own potential in terms of whether or not you have the necessary qualifications, can get the necessary qualifications, or should let some outside expert handle that particular area. Make a summary analysis of whether or not you're ready now and when you might be ready to become an entrepreneur.
9. List some of the pitfalls that can cause small businesses to fail.
10. From your evaluation in question eight, determine which potential pitfalls you have already dealt with and tell how you will avoid them.
11. Where might you go for help in starting your own business or for solving particular problems or answering specific questions about running your own business?

**SOURCES USED TO DEVELOP  
THIS UNIT**

- Baty, Gordon B. *Entrepreneurship for the Eighties*. Reston VA: Reston Publishing Co., 1981.
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- Rand, Ayn. *For the New Intellectual*. New York: Signet, 1961.
- Schumpeter, Joseph. *The Theory of Economic Development*. Cambridge: Harvard University Press, 1949.
- Siropolis, Nicholas C. *Small Business Management: A Guide to Entrepreneurship*. 2d ed. Boston: Houghton Mifflin Co., 1982.
- Timmons, Jeffrey A.; Smollen, Leonard E.; and Dingee, Alexander L., Jr. *New Venture Creation*. Homewood, IL: Richard D. Irwin, 1977.
- U.S. Small Business Administration. *Small Marketer's Aid*, No. 71. Washington, DC: U.S. Government Printing Office, 1979.
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- Vesper, Karl H. *New Venture Strategies*. Englewood Cliffs, NJ: Prentice-Hall, 1980.

For further information, consult the lists of additional sources in the *Resource Guide*.

# PACE

Unit 1. Understanding the Nature of Small Business

 Unit 2. Determining Your Potential as an Entrepreneur

Unit 3. Developing the Business Plan

Unit 4. Obtaining Technical Assistance

Unit 5. Choosing the Type of Ownership

Unit 6. Planning the Marketing Strategy

Unit 7. Locating the Business

Unit 8. Financing the Business

Unit 9. Dealing with Legal Issues

Unit 10. Complying with Government Regulations

Unit 11. Managing the Business

Unit 12. Managing Human Resources

Unit 13. Promoting the Business

Unit 14. Managing Sales Efforts

Unit 15. Keeping the Business Records

Unit 16. Managing the Finances

Unit 17. Managing Customer Credit and Collections

Unit 18. Protecting the Business

Resource Guide

Instructors' Guide

Units on the above entrepreneurship topics are available at the following three levels:

- Level 1 helps you understand the creation and operation of a business
- Level 2 prepares you to plan for a business in your future
- Level 3 guides you in starting and managing your own business

# OSU

The Ohio State University