The entrepreneurial leadership puzzle: the pieces you need to start a business

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The Entrepreneurial Leadership Puzzle:
The Pieces You Need To Start A Business

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Entrepreneurship is hot word of the day. You see it mentioned in almost every magazine or newspaper. Universities are developing courses and even majors in the subject. Jeffry Timmons book *New Venture Creation*, provides a definition created by Babson College and Harvard Business school, "Entrepreneurship is creating and building something of value from practically nothing. That is, entrepreneurship is the process of creating or seizing an opportunity and pursuing it regardless of the resources currently controlled."  

Entrepreneurship is the promotion of ideas such as risk taking, flexibility, innovative, and visionary. There has been a lot of discussion over what qualities entrepreneurs possess and step by step instructions on how to start a company. Both are very useful. What I would like to discuss is entrepreneurial leadership. How is leadership involved in starting a company? Leadership has been discussed in almost every context from social movements to politics to large companies. There has been little discussion of how entrepreneurs are leaders. A simplified definition of leadership is helping others reach shared goals. Entrepreneurs need to articulate what the goals of the followers and the company are and combine them so that the followers would be motivated to achieve both. Being able to articulate the goals is just a part of what leaders do. They also need to help followers achieve the goals or vision of the company by giving them meaningful tasks or responsibilities and showing them how the completion of these tasks or responsibilities leads to the attainment of the goals. When the followers do accomplish the goals, it is essential to reward them in some way to keep them motivated. Entrepreneurial leadership is a combination of entrepreneurialism and leadership. There are a set of interdependent pieces necessary to start your own company. I believe that there are a set of skills that you must have and without these skills, you will not

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succeed. Some people may use different words to describe them, but all entrepreneurs have them. This is very similar to creating a jigsaw puzzle. Every piece is equally important in creating the finished product. If there is a piece missing, then the puzzle will never be completed. If the entrepreneur does not possess one of these skills, he or she makes sure that a partner or employee does. If they don't then the entrepreneurial venture will not succeed. There are five interdependent pieces to solving the entrepreneurial leadership puzzle. The first is vision. All leaders must have a vision to provide themselves and their followers with a purpose. It needs to be something that it motivating to them and their followers. The next piece in the puzzle are the skills needed. While leadership is essential to starting a venture, if you don't have any technical skills, the venture will ultimately fail. Therefore scanning the environment is vital. It tells the entrepreneur if there is a market for his or her idea. Financial management is equally important because the entrepreneur needs to manage his or her money well or else the company will go bankrupt. Since cash is so scarce during the startup months, it is necessary to be skilled in this area. The next piece in our puzzle is motivating others. Motivating others cannot be stressed enough because if the employees are not motivated to give their all to achieving the vision of the company, then the company will ultimately fail, because followers are just as important to the success of the venture as the entrepreneur is. The leader must be a good coach to the employees by continuing to motivate them so they will always perform at their highest level. The harder the employees work and the more satisfied they are, the quicker the goals of the company will be attained. The next piece is developing effective followers. Followers are the most important resource the leaders have. Effective followers will act like leaders or owners of the company, and they will be motivated to be just as committed to the success of the venture as the entrepreneur. In addition, it is essential to note that the followers are just as important to the success of the
company as the entrepreneur, they just have different roles that they perform. The last interdependent piece is the leadership attributes. The entrepreneur must have some of the attributes that I will discuss later on in the paper. Many venture capitalists look at the entrepreneur first to decide if he or she can make the product or service successful. If the entrepreneur is not committed or have a high need for achievement, then there is no way that he or she will endure the hardships that go along with starting a business. Entrepreneurial leadership is putting all of these pieces together to create a puzzle. Without any of these pieces, there is no entrepreneurial leadership.

John Eggers at the Center for Creative Leadership conducted a study of the leadership and management skills of 338 CEOs and the developmental progression of the businesses. It discovered that the main characteristics in creating a business were:

1. Developing a viable product and/or service.
2. Delivering the product and/or service.
3. Developing an adequate customer base.
4. Creating enough cash to meet the demands of start-ups and staying alive.

The main characteristics of making the business survive were:

1. Establishing enough sales to develop at least a break-even cash-flow position.
2. Generating enough cash flow to grow, finance expenses and stay in business.
3. Continue developing the business in its market niche.
4. Company still very vulnerable to failure.

The main characteristics in becoming stable enough to return a profit were:

1. Maintaining market niche and customer base.
2. Eliminating problems that can drain cash.
3. Company can stay at phase indefinitely, barring major environmental change or ineffective management.
4. If environment changes, and the business does not adapt, the company may drop back to survival.

This study emphasizes the importance of financial management. Cash is such a critical factor in
achieving stability and growing the company that entrepreneurs must have someone with
experience managing the finances of the company. Vision is also important because it helps
develop the product and customer base. Environmental scanning is important because it helps the
entrepreneur decide whether there is a market and a customer base for their product. It also
prepares the entrepreneur for thinking about possible external forces that could affect the
business. The study goes on to discuss growth orientation, rapid growth and resource maturity
phases in growing a venture, but for right now, we are mainly concerned with starting a company
until it is on stable ground. In the study Eggers asked the CEOs what the most critical skills were
for each phase of the company's growth. For all of the phases, the top three critical skills were 1)
vision 2) motivating others 3) Financial Management. Other skills that were frequently
mentioned were communication and planning/goal setting.

The first interdependent piece of our puzzle is vision. In the survey by John Eggers, the
CEOs thought that this was the most important aspect in starting and running a company. In the
leadership classes that I have taken, we have seen how important vision is. Leaders need to have
a purpose to strive for. What separates effective leaders from not-so-effective leaders, is the
vision. If a leader does not a clear and articulated vision, then he or she will never motivate
themselves or anybody else. "The vision I believe is the key element. If there is no vision, there
is no business," claims entrepreneur, Mark Leslie.2 Vision starts with your imagination and ends
with an idea that will become a reality. Two leadership gurus, Bennis and Nanus state "To
choose a direction, a leader must first have developed a mental image of a possible and desirable
future state of the organization. . . . The critical point is that the vision articulates a view of a

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2James M. Kouzes and Barry Z. Posner, The Leadership Challenge: How to get
realistic, credible, attractive future for the organization. ... Without a specified direction, followers will not follow the vision. The followers must feel that the vision will become a reality and that the reality is something that appeals to them. Martin Luther King was a leader of the civil rights movement because he developed an ideal vision that whites and blacks thought was a 'realistic, credible attractive future'. His vision of a world where blacks and whites could hold hands and have equal opportunities was something that others were willing to fight for. He rose to his level of leadership because his vision was more credible than others. He knew how to articulate it and show how his followers fit into it. This is the same for a entrepreneur. He or she needs to develop an attractive vision for the future that his or her followers will work hard to achieve. Kouzes and Posner describe vision as "an ideal and unique image of the future." In other words, they mean that the vision must be different from existing visions and it must set a new standard for doing something. This uniqueness brings a sense of pride to everyone who accepts it. Employees feel good about the company if they believe their company is different from any other. In addition, the vision must present an image of the future by being detailed enough that followers can see themselves within the vision. Ways to bring that image to life are stories, slogans, metaphors and pictures. Entrepreneurial leadership is developing a future that will be different from the present state of affairs. It will be something that others will be committed to because they believe that it would be a better place to live if that vision is realized. There is no way that followers would work hard to achieve something that wouldn't change a part of the world in some way. Even a hamburger restaurant could change a part of the world. By providing high quality meat at a low cost and by providing a place where families could get together to

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3Kouzes, 84.

4Kouzes, 85.
enjoy themselves, they are making the future for those families better than if they never opened the restaurant. There may not be many high quality hamburger places that families could go to enjoy themselves. This vision may be motivating for people who only have McDonald around and don't have anyplace that they could go to celebrate family affairs at a low cost. Entrepreneurial leadership is developing a vision that will change the world in some way to make it better for everyone who will be a part of the vision. As we have seen here, leaders do not have to develop broad visions that will change the lives for everyone in the world. They just need to change the lives in some way for the people who will be a part of the vision.

In John Maddens book *Hey, Wait a Minute*, he describes a conversation with Vince Lombardi who said, "The best coaches know what the end result looks like, whether it's an offensive play, a defensive play, a defensive coverage, or just some area of the organization. If you don't know what the end result is supposed to look like, you can't get there. All the teams basically do the same things. We all have drafts, we all have training camps, we all have practices. But the bad coaches don't know what the hell they want. The good coaches do." This is a perfect example for entrepreneurs as well. There are thousands of entrepreneurs starting their own businesses every year and the majority of them fail. The ones that failed, did not know what they wanted. They may have done excellent market research, developed a great product and gotten financial backing, but without a desirable vision for the future that is well defined, they never went anywhere. The successful entrepreneurs have to know exactly what they want and how to get it. They know how their product is unique from its competitors and how it sets an ideal standard for the future. They know this so well that they can clearly articulate it to anybody.

Another important factor in creating visions is optimism. If the leader believes that their

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5 Kouzes, 88-89.
vision will fail, it will. But, on the other hand, if they believe that their vision will succeed, then it probably will. No one will be motivated to sacrifice themselves for a vision that the leader does not believe will succeed.

Leaders must be forward looking if want to develop a vision that everyone will accept. It is helpful to have experience in the industry that the entrepreneur is trying to start. If the entrepreneur is starting a shoe company, then they should know everything about shoes. By reflecting on the experiences in the shoe industry, the entrepreneur will be better prepared to develop a vision. This is known as the Janus precedence that was reported by Omar A El Sawy.

"We make sense of our world retrospectively, and all understanding originates in reflection and looking backward... We construct the future by some kind of extrapolation, in which the past is the prologue, and the approach to the future is backward-looking." In other words, our future is defined from our previous experiences. By reflecting on our accomplishments and our failures, we are able to see what our skills and interests are. By putting together our skills and interests we can develop a vision that will be motivating to ourself. If the entrepreneur believes in the vision and is excited about it, then he or she will be able to act on it and hopefully excite others about it too. The entrepreneur must feel very strongly about it because if they don't, then others won't either.

Another important aspect of developing a vision is making sure that others will accept it. The entrepreneur must define his or her vision to a variety of constituencies. They must describe it to employees, investors, bankers, suppliers, customers friends and family. If the entrepreneur cannot describe it to others, it doesn't matter how great of a vision it is, it will never succeed. Investors will never invest their money in it, employees will never work long hours with little pay

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*Kouzes, 95.*
for it, customers will never buy into and suppliers will never provide supplies for it on credit. The next step is discovering how to define the vision. If the entrepreneur believes in the vision, it will be evident when they describe it to others. It should be something that excites them, where their whole body comes to life, from their eyes lighting up, to their gestures becoming animated.

Important things to think about in developing a vision are making it vivid with a lot of images. The most successful visions are the ones that others can picture in their minds. By picturing it, others will remember it and be motivated by it. The vision also must be credible, by including traditional values or common believes. If a vision contradicts these traditional values or beliefs then it will be difficult for others to accept it. Repetition, emotion and commitment are also important in bringing the vision to life. Martin Luther King was a master at articulating and describing his vision to others. He provided his constituents with a variety of images that they could picture in their minds. It was so clearly articulated that others believed that it was credible and attractive. He used phrases and mentioned places that his constituents identified with and those places and phrases strengthened his believability. Entrepreneurs need to do the same things that Martin Luther King did to motivate others to accept his vision.

Kouzes and Posner describe three qualities that leaders must do to motivate others to share their vision. Entrepreneurs must, "appeal to a common purpose, communicate expressively, and sincerely believe in what they are saying." By appealing to a common purpose, the entrepreneur must understand the employees and what their aspirations, needs and hopes are. In a sense, they must be good followers. A good leader knows his followers better than they know themselves so he or she is able to tap into what motivates them to work hard. The next point is to communicate the vision with feeling and life. By providing vivid examples and stories the vision

7Kouzes, 113.
comes to life. The last point is to believe in your vision, because the stronger the belief, the more credible the vision. Successful leaders are so committed to their vision that they will not waver in the face of opposition. Civil rights leaders had to stand up to oppression all of the time. If they backed down from their vision of having equal rights, then no one would be motivated to help out. It is their determination and commitment that is inspiring and moves others to fight for the realization of their vision. In a sense, their strong beliefs become contagious and their followers soon become just as committed as the leaders. Entrepreneurs need to be just as committed to their vision as the civil rights leaders were to theirs. If entrepreneurs waver on their vision, then others will not be motivated to work hard to achieve it. But, if entrepreneurs believe that it will be successful and will change society, then that optimism and commitment will be felt by those that accept it.

Entrepreneurs are creating a piece of the market for themselves. They may start out with small ideas, but that is all it takes to capture a market or open up a new one. It is not the big ideas that transform society and the business world. It is the small ideas that are envisioned by entrepreneurs to shape a future economy. Entrepreneurs are also able to envision what future society will look like. They see customers in the future, using their products and enjoying them. If they can't detect who future customers will be and what their needs and desires will be, then the company will ultimately fail. For the vision of the company to be successful, a vision of society in the future using the products is absolutely necessary.

The next interdependent piece of our leadership puzzle are the skills needed to start a successful business. The first skill is scanning the environment. It is just as important as

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developing the vision of the venture. The entrepreneur needs to see how their vision fits into the market and if it can be successful. This is a hard task to do because many times budding entrepreneurs have great ideas but after scanning the marketplace, they find that it will be too risky to try. Leaders must also scan the environment to see if their idea will be successful. Politicians usually do polls on their chances of getting elected and on voters acceptance of their ideas. If these polls show that they are not appealing to the voters, then they probably will not spend all of the time and effort necessary in trying to get elected. Entrepreneurs will also not be willing to waste their time and money on an idea that may never succeed. Therefore, entrepreneurs need to go into this phase with the same enthusiasm and determination as they had in developing the vision or idea. "If there is any single spark that ignites an entrepreneurial explosion, it is the opportunity." ⁹ There needs to be an opportunity for the venture to be a success. Ideas are worthless if there is no opportunity. Therefore it is essential to clearly evaluate and research the opportunity to make sure that it exists. One way to look at scanning the environment is to think of forecasting the weather. Most wine growers need to be able to forecast the weather sometimes 30 days in advance. They need to be able to figure out if they need to add water to the crops or if they need to harvest them before it floods. Being able to adapt to the circumstances is important, but if you are not ready for them, you can be exposed to severe losses. Just as with environmental scanning, a cloud can always appear that wasn't expected. The goals of the "pre-start" analysis are:

⁹Timmons, 17.
All successful entrepreneurial companies have developed a well-defined opportunity. The entrepreneur first determines the parameters of the "window of opportunity". To evaluate this he or she must first look at the size of the marketplace. Large markets are filled with Fortune 500 companies, whereas small markets are dominated by small entrepreneurial ventures. The potential growth rate of a market is another criteria. Many ventures can capture a small market and grow into Fortune 500 companies if the environment is conducive to rapid growth. The entrepreneur also has to determine how long the "window of opportunity" is going to be open. Most opportunities have a particular life span. Is the life span long enough to create a thriving business? Many entrepreneurs have failed because they entered a market just before the opportunity closed up. An example of this would be starting a micro brewery. Right now, micro-beers are very "hot", so a lot of competition has entered the field, saturating the market. While a fad can last several years, it won't last forever. Within ten years, the majority of the micro-breweries will probably be closed down, because that fad will have ended. That doesn't mean that there will be no more microbreweries, it just means that the companies who helped develop the market will probably be the only ones left. They will be the ones that are able to predict a change in the marketplace and adapt to it. Their visions will be far-reaching and stable enough to handle a change in the attitudes of their customers. If they do their "homework" well, they will begin to compensate for the loss of interest in their breweries and find out how to keep their customers satisfied. For entrepreneurial ventures to be successful, they need to be on the frontier of a new market or have an innovative new twist to bring live into an old market. By standing still, they

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will eventually lose their market share. But, by continuing to push the market to the brink of innovation, they will ensure a long and successful future. 11

The next question that the entrepreneur asks him or herself is what the possible risks and rewards are. Timing is a major factor in this question because sometimes the risks may be greater than the rewards or vice versa. A successful entrepreneur is also looking at the external factors that would affect the business. How are government regulations, technologies and society involved in determining the success of the venture. 12 The entrepreneurs are successful readers of external changes in the market. If they cannot predict or prepare for market changes, then their business will suffer. This goes along with our discussion of vision. Part of having a vision for the future of a business, is having a vision for the future of the market and being able to adapt to the changes that happen along the way. There is no definite way to plan for every obstacle, but as part of scanning the environment, it is pertinent to identify possible changes and plan how to adapt to them. If a venture could go bankrupt by a few possible changes in the marketplace, then it may be a good idea to rethink starting the entire venture. All leaders need to be able to look beyond their idea and see how external forces around it could affect it's outcome. Politicians need to be able to adapt to changes in the environment just as entrepreneurs do. If a politician is suggesting a change in the health care system, it is necessary to see how external forces would affect the changes being proposed. If there is no consideration to these external forces, then others would not be willing to accept the proposal because they would not think that it was credible and well thought out. Entrepreneurial leadership must contain scanning the environment because that is what gives the entrepreneur the confidence that the venture will succeed. The

11Van Slyke, 82-85.

12Van Slyke 82-83.
research is tangible evidence that can motivate others like investors or bankers that need the additional prove that the venture will be successful.

In evaluating the risk and profit potential, the entrepreneur always looks for an opportunity that would provide enough profit to justify all of the time and effort put into the venture. Most entrepreneurs tend to stay away from opportunities that require a great deal of capital and take a lot of time to produce a justifiable return on that capital. Good opportunities are those that have "steady and rapid growth in sales during the first five to seven years in some well defined market niche; a high percentage of recurring revenue; that is once sold, customers become recurring sources of revenue; rate of return on investment of 40% or more (after taxes)."13 Without these results, entrepreneurs will have a tough time finding funding for their venture. Once the risks and rewards have been calculated, the entrepreneur always looks for possibilities to expand or diversify the business in the future. When envisioning the future, the entrepreneur prepares for alternatives and changes in the vision of the company to allow for expansion of the product to gain a greater share of the market or diversification of the products to capture new markets and prepare for a stable future.

The most important and underriding question that the entrepreneur must answer is whether the product or service has any real value. There has to be a need for that product or service. All successful entrepreneurs have researched this question extensively. Many ventures fail because the entrepreneurs failed to answer this question correctly. Sometimes the entrepreneur's ego gets in the way because they are either too much in love with their idea or they want to justify all of the money they have already spent evaluating the opportunity. This is no reason to go through with a venture because if it ultimately fails, the entrepreneur will lose

13Van Slyke 83.
more money than already invested. Part of leadership is showing your followers that your idea has value and substance. Leaders of social movements like Breast Cancer and AIDS, need to show others that their movement is of real value to others. They need to scan the environment to see how many people are affected and how many are potentially at risk. This provides evidence that their movement should of great concern to others. By showing how it could affect you or someone you know, others would be more willing to help out in the movement.

Financial management is also an equally important skill that entrepreneurs starting their own business must possess. If they don't, they need someone who does! Startups are always strapped for cash so they have to be bent on keeping costs low. Most of the failures result from financial problems. John Welsh and Jerry White in their article "A Small Business Is Not a Little Big Business" describe the main difference between running a small business versus a big business as resource poverty. Small businesses do not have the huge resources that big businesses do so they are forced to control costs much more than their counterparts. Adding to the problem is the fact that these startups are mostly in fragmented industries in which competitors frequently cut prices to increase revenue. These price decreases eat into the little profits that these companies make. Small businesses also can't afford to hire the best accounting staffs or adequately train employees. Another difference with small businesses is that they are usually destroyed over changes in the environment such as inflation, government regulations, tax laws and interest rates. Therefore, having an excellent financial management partner or employee is extremely important.

Another aspect of financial management is developing a business plan. The entrepreneur or his or her partner needs to put a lot of time into creating a plan that will be attractive to potential customers and investors. First of all the plan needs to show how the product or service will meet the needs of the customer. Then the plan needs to show when investors can expect a
return on investment and how much that return will be. If the figure is too low or takes too long
to achieve, investors will not be interested. To compete with the thousands of other ventures
looking for investment, successful entrepreneurs spend a great deal of time on their business plan
trying to separate their idea from the rest of the pack. This is also one of the hardest tasks that
the entrepreneur will face when developing the venture. An entrepreneur can have the greatest
vision in the world but if he or she doesn't create a well written business plan that clearly describes
the market and the return on investment, the venture will never get off the ground.

As part of the financial management, the entrepreneur needs to develop a financial plan
with forecasts and budgets. They need to monitor cash flow and cost controls. Collecting
receivables is very important because start-ups are pressed for cash so if too much revenue is on
credit, the company may not be able to pay the bills. Raising capital is also vital because many
start-ups fail because they run out of money. Therefore there needs to be strategies set up to raise
capital throughout the start-up process without losing too much equity in the venture.

Cash flow is extremely important to businesses. It is very similar to what oxygen is to a
person. "We will cease to exist when we are deprived of oxygen. A business will cease to exist
when it is deprived of cash. A business is sustained by its own form of breathing, which we call
liquidity." 14 Liquidity is being able to pay your bills on a consistent basis. If the business
operates on too much credit, it will not be able to pay its bills. Therefore there needs to be a nice
balance created to satisfy the customers as well as the creditors. It is essential to control cash
flow during the start up stage because there may not be a steady form of income and the company
needs to save every penny they receive. When the entrepreneur creates a financial plan, predicting

14Philip Holland, The Entrepreneur's Guide: How to Start and Succeed in Your Own
what the future cash flow will be like is a major component of the plan. The entrepreneur is also familiar with what expenses they will need to pay. Without solid financial background, it may be difficult to predict what the expenses will be and how they are.

Motivating others is another interdependent skill that entrepreneurs need to start a successful business. When individuals are motivated, they feel so strongly about their goals, that they are willingly to do anything to achieve them. They are committed. They put in the extra hours to ensure that they accomplish their goal. I worked on a campaign a few years ago and was so motivated that I worked 12 hour days without any pay. I did it because I was motivated. I believed in the vision of the campaign, and I believed that the candidate would make real changes in government. I was also motivated by the amount of responsibility I was given. I was put in charge of other volunteers which made me feel important and part of the organization. When I worked long hours, the campaign manager frequently thanked me and told me how great of a job I was doing which also increased my commitment. This is what motivation is all about. The campaign manager was an excellent leader because he knew how to motivate me. He used a combination of methods that increased my participation in the campaign. Not only was I working long hours, but I enjoyed every minute of it. This is the essence of leadership. If leaders could get their followers so committed to the vision that they enjoy what they are doing and are willing to sacrifice themselves to the attainment of the vision, then the vision will be much easier to reach. The leader needs to realize that people are the most important resource so motivating them should be a top priority. Entrepreneurs are very similar to candidates running for election. Both have a shortage of funds to reward employees so they must develop other methods to keep them motivated. The most important is getting them to accept the vision. The rest of the other motivational methods are also very important as well. If the employees are not motivated to
dedicate themselves to the company then the company will ultimately fail because the entrepreneur cannot do everything themselves.

Recognition is the most important factor in motivating others. All employees who go to work for a company want to be creative and use their skills to contribute something meaningful towards the attainment of the company's goals. When they are given the responsibility to contribute, they jump at it. They feel important because they are helping the company reach its goals. When creating a company, it is necessary to have a culture that encourages everyone to participate and give their best. When employees do participate and help achieve the goals, it is absolutely necessary to recognize them for it. This is the essence of leadership. Recognizing others' contributions is necessary for any leader to get the most out of their followers. When we put a lot of time and effort to accomplish something, we all feel proud of the work we have done. To keep that feeling strong and alive, the entrepreneur needs to recognize the effort that the individual puts forward. Being complimented for a job well done is one of the best feelings in the world and one of the easiest to give. But, unfortunately we lose sight of others' accomplishments and forget to thank them or congratulate them. After a while, the employees feel bitter and lose their motivation to work hard. As a result, the company suffers. Entrepreneurs need to be concerned about growth. Not only do they want the company to grow, but the individuals that are working for the company need to grow as well. When recognized, employees are given a burst of energy to set new standards of performance and achieve them. They feel good about themselves and about the company so they are motivated to improve on both. That is the kind of environment that entrepreneurial companies want and need to have.

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While recognition is important, some people look at their paycheck to determine how well they are doing. Therefore it might be a good idea to invest in your employees, if the funds are available. Many small companies try to pay top dollar for employees salaries. Another method is to use bonuses based on performance. There are various alternatives available tying bonuses to the performance of the individual or group depending on the environment of the company.

Most of the employees that go to work for an entrepreneurial company are attracted to it for many of the same reasons that entrepreneurs want to start their own company. These employees like the flexibility, the risk taking, the responsibility, the innovativeness and the orientation towards growth. Therefore successful entrepreneurs try to provide environments or cultures that thrive on these ideals. Many employees are budding entrepreneurs themselves so giving them the freedom to take on some responsibility and run with it will increase their satisfaction and help grow the company. In a sense, create an environment that fosters entrepreneurialism so that the venture grows to become a company of entrepreneurs.

There are several leadership theories that help increase employees motivation. The key to motivation is understanding the followers and their needs. Gardner's book mentions a quote from Bear Bryant of the University of Alabama, "'I know my players better than they know themselves. How else could I get the best out of them?" This is the essence of motivation. Entrepreneurs who understand their followers are in a better position to satisfy their needs, hopes, and desires. As a result, followers will be more likely to work harder to accomplish their goals. One theory developed by V.H. Vroom is called the Valence-Instrumentality-Expectancy Theory. If an individual expects a reward if they achieve a goal, and if they value that reward and they think working harder will be instrumental in attaining that reward, then they will be motivated to work
harder for it. The task of the entrepreneur or leader now is finding out what rewards motivate which employees. All employees have different motivations, so it is important to get to really know them well. Once the entrepreneur or leader discovers what motivates the employees, it is necessary to show them how to achieve the rewards. In other words, if an entrepreneur offers a vacation to Aruba for employee A, then the entrepreneur needs to show employee A that by increasing the amount of sales clients by 50%, he or she will win the trip.

Developing effective followership is also an integral piece of starting a business. The entrepreneur needs followers to possess some of the skills that he or she does not have. Several books on leadership have begun to focus on followership. They argue that leaders need to be followers of their employees. By fulfilling the needs and aspirations of their employees, their employees are motivated to work hard and be committed to the organization or leader. In a sense these books are talking about servant leadership. Leaders are serving the needs of others. It may not sound like the typical thing for a leader to do, but that is the main difference between successful and unsuccessful leaders. They serve their followers by helping them develop their skills and abilities. By letting the followers grow, they are in a better position to better help the company or organization. This is essential because as I already stated, the leader or entrepreneur cannot do everything themselves so they need others that they can count on to get the job done. By showing a commitment to developing effective followership, the followers will, in turn, work harder and be more committed to achieving the organizational goals.

Robert Kelley describes four essential qualities of effective followers. The first is self

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management. Followers need to be able to think for themselves. They need to be given independence to achieve the goals they set for themselves without supervision from the entrepreneur. If they think of themselves as equals, then they will be motivated to put in just as much time and energy as the entrepreneur.

Commitment is the next quality. The followers must be committed to the vision, the company and the entrepreneur. If they are not committed then they can not be trusted to handle the load of responsibility that the entrepreneur will need them to take on. Followers are just as important as the entrepreneur, the difference is that they have different roles. If the followers are not committed to accomplishing the goals of their tasks, then the venture will ultimately fail, unless new followers can be quickly put in place. The third quality is competence and focus. Followers should be dedicated to improving the skills they have and setting and accomplishing high standards. They should be concerned with developing their professional education by acquiring new skills or taking classes. If the followers are not concerned with developing themselves, they may not be someone the entrepreneur will want to hold on to because if a few years the skills they have may be obsolete. Followers with a combination of skills and knowledge are much more useful to the venture and as a result become interdependent with it. The last quality is courage. Followers need to be courageous and be willing to accept failure and share success. In addition they need to have the courage to stand by their believes to challenge the company if it crosses an ethical line. Another important part of this quality is to be critical thinkers that can be trusted for their opinions. Entrepreneurs need to have intelligent followers that are always critically analyzing important decisions being made. The more critical thinkers that are part of the company, the least likely there will be big mistakes made. Kelley goes on to describe effective followership roles. "People who are effective in the follower role have the
vision to see the forest for the trees, the social capacity to work well with others, the strength of
close character to flourish without heroic status, the moral and psychological balance to pursue
personal and corporate goals at no cost to either, and above all, the desire to participate in a team
effort for the accomplishment of some greater common purpose. " 18  Followers need to be able to
interact effectively with others. They need to be able to work with leaders, peers, suppliers and
customers. They also need to be able to take on a lot of responsibility. The entrepreneur cannot
do everything, so he or she needs to be able to trust that the followers will accomplish the tasks
assigned. In addition, the followers need to be proactive by preparing for the inevitable and
making the decisions when they need to be made rather than waiting to ask the entrepreneur. In
other words, the followers sometimes need to take on the role of a leader when the entrepreneur
cannot. There is no heroism involved when the follower must put in the extra time, but the
dedication to the vision, the company and the entrepreneur should be sufficient enough to satisfy
the follower.

Kelley goes on to state that followers should " gladly contribute by making assists because
their focus is on the goal, not self-propulsion " (125). Followers need to sacrifice themselves for
the company just as the entrepreneur does. The entrepreneur needs to make the followers
partners in the company by making them interdependent. They are just as important as the
entrepreneur, but they just perform different roles.

There has been much discussion about the type of leadership attributes that define
entrepreneurs. Entrepreneurial leadership must involve looking at the entrepreneur as a leader.
What leadership attributes the entrepreneur has is very important to the success of the venture. If
the entrepreneur does not have many of these attributes, then there must be a partner that does.

18Kelley.
While these characteristics provide some basis for evaluating potential entrepreneurs there are several exceptions that have been just as successful. Among the characteristics are a need for achievement, an internal locus of control, risk-taking propensity, problem solving skill and innovativeness, decisiveness, and the ability to handle failure, ambiguity and stress. Integrity is also essential in gaining the trust of employees and investors. The most essential skill is probably good selling skills, because without these, the venture will never get off the ground.

A high need for achievement is very important in determining an entrepreneur because the job will require a high level of commitment and a dedication for achievement. David McClelland has done considerable research on this subject and defines it as having a need to be successful. There are three attributes that he describes as necessary in having a high need or achievement. The first is a desire to be held accountable for decisions. Leaders want to accept personal responsibility for their tasks. They prefer to work alone because that type of environment allows for the most accountability. The second attribute is to be a moderate risk taker. They like to achieve success, so they are more likely to try something they feel they will succeed at. The last attribute for leaders with a high need for achievement is an interest in the result of the decisions. They are very anxious to know what the outcome of their hard work is. Bad news is better than no news because they can start learning from their mistakes. This need for achievement pushes individuals into becoming entrepreneurs because it allows the most room for achievement. They are starting something from scratch and the tremendous time and work commitment allows individual initiative to thrive so individuals with a high need for achievement do well.

The next characteristic is an internal locus of control. This means that leaders believe that they can control the environment around them. They look for circumstances like entrepreneurialism where they can be held accountable for the success or failure of a business.
Their personal characteristics can be used to determine the fate of their enterprise. Entrepreneurs believe that somehow they will be able to be successful. It may take a few tries, but eventually they will win out. Internal locus of control is closely associated with a need for achievement because individuals feel they can achieve great things if they can control the environment.

The next characteristic is risk-taking propensity. A common misconception is that most people think entrepreneurs are high risk takers. In actuality, they are only moderate risk takers. They take calculated risks, based on their need for achievement and their internal locus of control. If they believe the environment is within their control, they are more apt to take a risk rather than if they think it is beyond their control. Wilson Harrell, in his book *For Entrepreneurs Only*, claims that "Entrepreneurs are so sure that whatever project they're currently working on is going to succeed that, in their minds, there is no risk." 19. Entrepreneurs are so sure of their abilities and of their vision that they don't perceive that they are taking any risks. Harrell goes on to say that if he asks an entrepreneur if there are any risks then they should say no. If they don't say no, then he tells them "Go back to the drawing board; keep adding creativity until the risk goes away. If it never goes, pass on the deal, no matter how good it looks." 20. If the entrepreneur is not totally convinced that his or her vision will succeed, then they should not take that risk. Only when they feel so strongly that their vision will become a reality, is it an appropriate risk to take. Others will see their confidence and want to be a part of it. If there are any doubts, those will shine through when trying to persuade investors and employees.

Problem solving style is another characteristic that needs to be addressed. Entrepreneurs need to be very innovative in their approaches to solving problems. In addition, they need to be

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20Harrell, 63.
persistent and optimistic that they can solve the tough problems. John Gardner in his book *On Leadership*, describes good problem solving skills as having good judgement-in-action. He talks about the importance of combining concrete facts with questionable information and intuition to solve a problem.  

Entrepreneurs must also be decisive and bring a sense of urgency to most of the decisions they make. In Gardner's book he provides a quote from Eric Ashby, a British educator who says "Indecisiveness is contagious". Leaders must be able to make decisions and make them fast. If there is hesitation, others may lose confidence in the entrepreneurs ability to lead. But it is also necessary to avoid making rash decisions. Therefore, it is helpful to have an established process of decision-making. A common process starts out with brainstorming for ideas, then asking others for alternatives, making the decision, implementing it and reviewing its success or failure. An important component of this process is the review. It isn't as important that you make mistakes, because it should be expected, but it is important that you learn from them. By knowing why you made the mistake and how you can avoid it in the future improves your decision-making ability.

Dealing with failure goes along with the decision making process because you should not be afraid to fail. Successful entrepreneurs learn from trial and error and are not discouraged by mistakes they made. Actually, many entrepreneurs see setbacks as opportunities for later success.

In order to deal with the numerous setbacks that will occur in starting your business, it is necessary to have tolerance for ambiguity, stress and uncertainty. Many entrepreneurs thrive on the excitement of succeeding in the face of defeat or uncertainty. Since entrepreneurs are the


22Gardner, 52.
initiators of business, it is hard to determine exactly which way it will go, so flexibility to accept that uncertainty and to change course whenever necessary is essential. Starting your business is unlike anything entrepreneurs have ever done before because they are building something from scratch. Entrepreneurs have said that they have sometimes been worried if they would make payroll. Since there is no guarantee that the entrepreneur will gain new business, they need to be able to handle that stress and ambiguity. They need to hold everyone together and continue to be optimistic and confident that the venture will prevail.

Integrity and reliability are two very important personal standards that must be set for an entrepreneur. According to Kouzes and Posner (1988), these factors are among the most important for developing effective leader-follower relationships. These two factors combined with a network of personal and business relationships, expands tremendously the opportunity for entrepreneurial success. In addition, the leaders are perceived as trustworthy. This is very helpful in leading others because the subordinates can be open and honest with them and expect the same in return. Then if any problems arise, they can feel free to talk openly with the leader to solve the problems.

The most vital skill that all entrepreneurs must have is excellent selling skills. From the conversations I have had with other entrepreneurs, the thing they emphasized the most was salesmanship. Entrepreneurs must be able to sell their product or service to others. They need to sell it to investors, creditors, employees, and most importantly customers. There can be a terrific product, but if the entrepreneur cannot sell it effectively or hire someone who can, then the venture will never be successful.

The first entrepreneur I interviewed was Dr. J. Michael Ribaudo. He was a pioneer in the
outpatient service industry. His initial vision was to provide cost effective, high quality, efficient outpatient surgical care for his patients. He later expanded his vision to involve other doctors with all specialties groups represented. He was motivated to act on his vision because he was frustrated with "an ineffective hospital based delivery system" and because he had a desire to enhance customer service.

To sell his vision to others he used graphics, a business plan and most importantly he spoke passionately about the need to develop this type of product. He motivated others with his enthusiasm, energy, confidence and the fact that his vision could become a reality. This is the essence of what I mean by communicating the vision expressively and bringing it to life. The slogan he used for most of the constituents was that the outpatient delivery care cost significantly less than hospitals so it would enable them to provide high quality, low cost care to gain a competitive advantage and increase market share. Doctors and nurses were further motivated by the fact that Ribaudo promised a pleasant environment giving them autonomy to provide excellent customer satisfaction without the bureaucratic inconveniences of hospitals. He said that hospitals required so much paperwork and red tape that it took nearly 45 minutes to prepare a surgery room. His surgery center was able to prepare a room in 15 minutes. That allowed for a lot more cases to come through the doors. He was showing his followers how they were part of the vision. Once they saw that it met their needs and desires, they were motivated to accept it.

Ribaudo took two big risks when starting his company. The first was that the product would not be acceptable because of physician and patient fears of having surgery outside of a hospital. He was developing the first outpatient surgery center in St. Louis so it was unknown whether there would be acceptance for it. The next risk was that he had borrowed a significant amount of capital and would be liable if his company had not increased market share by the time it
Ribaudo was fortunate to see first hand what it was like working in the surgery rooms as a doctor so he was in a good position to improve upon the inefficiencies of the hospitals. He put the surgery center in a prime location surrounded by 4 major hospitals. He knew that thousands of people traveled to that area for their surgical care so he figured once they had a choice between his center or the hospitals the patients would choose the center. This is exactly what Harrell was describing when he said that entrepreneurs are so confident about their venture that they don't perceive there are any risks. Ribaudo would be competing against several major hospitals with huge resources and capital. They already had an established customer base. He would have to fight head to head with them all to attract their patients. But, what is amazing is that he didn't seem to be worried about this competition. He was so sure that he had a superior service that there was hardly any risks.

Ribaudo stated that there were five important skills needed to start a business. They were vision, patience, determination/commitment, financial management and customer service. He noted that he did not possess the financial management he needed to run a successful business, so he hired a CFO and a COO. Since he was practicing medicine, he needed help in applying the other skills to the rest of the company. Therefore he hired a V.P. of Development and a V.P. of Clinical Service. The V.P. of Development helped him out with developing a vision and strategy for the future. The V.P. of Clinical Services ensured that they provided a high quality product and good customer service. Ribaudo rewarded the employees with financial incentives based on case growth, delivering a quality product, cost containment, and the ability to work with others.

The next entrepreneur I interviewed was Rich Lahvic and he started Montana Gold Bread
Company. He told me that his initial vision has not changed from when he first decided to start his business. He wanted to start a bakery that emphasized quality and value. They bake their own bread daily from the freshest ingredients. He decided to act on this vision because he felt that working for yourself provided a better way of life than working for a corporation. Before, he was involved in the marketing aspect for Red Lobster. He wasn't happy with corporate life so he decided to start a bakery because he said 'I would be controlling my own destiny'. At a company, he claims that individuals are not always rewarded according to their effort or performance. When you run your own business, you are in control of how successful you want to be. As we can see, Lahvic has a high internal locus of control and a high need for achievement. He wants to be held accountable for his effort and rewarded for his performance. This is the essence of entrepreneurship and America's love affair with the flexible and independent lifestyle that it represents.

Lahvic also wanted to create a business that would be around for a long time. He wanted to create something that would be in the family for a while. Through the environmental scanning, he discovered that bakeries have the longevity that he was looking for. The window of opportunity was going to open for a long time. He compared his business to bagel franchises that are opening up all over the place because it is the latest fad. From the market research he has done, he thinks that ultimately they will lose their appeal because "bagels make horrible sandwiches". Lahvic did a lot of environmental scanning because he thinks it is one of the most important aspects of creating a business. "You have to do your homework," he told me. He definitely did his, because he visited 50 bakeries in 30 states and took notes on what they did right and what they did wrong. He asked a lot of questions and learned a great deal about the business. Another important part of the scanning is market research. He scanning various markets all over
the East coast to see which would be the most compatible with his service he wanted to start. Eventually he decided on Richmond. He also looked at the competition with other bakeries and bagel franchises. Lahvic compared his financial plan to the other bakeries to see how they matched up. He also compared it to restaurants to give another perspective to evaluate the return on investment. Afterwards, he was satisfied with how the numbers stacked up against his competition and was ready to start his business.

Lahvic developed a business plan that took over one and a half years to research and a few weeks to write. All this hard work paid off because through the plan, he was able to gain a small loan from a local bank. Lahvic noted that it is essential to spend enough time on the business plan because if he wouldn't have done as much "homework," he may not have gotten the funding he needed.

Lahvic brought some experience and knowledge to the scene which was very helpful. He was fortunate to have a dad in the wholesale bread making business who could give him some contacts and advice on creating a bread company. He found out where he could get good deals on bread making equipment from his father's contacts. Lahvic had also worked in the food service industry, so he knew a lot about what was needed to succeed in it. Experience cannot be emphasized enough. Although several entrepreneurs have started successful business without any experience, it is another way to improve the chances of success. Networking is one of the most valuable aspects of having experience in a particular industry.

He acknowledged the importance in hiring a staff to balance out his skills. One employee, Trish, has 15 years of experience in the restaurant business. This hand on knowledge has been very useful to him and the company. She knows a lot about customer service and how to manage a successful store. Hillary, a recent graduate from the University of Richmond, has excellent
organizational skills. Her financial background is also very helpful in keeping the finances in line. Their skills are interdependent and necessary for the company's success.

Lahvic knows how important it is to motivate employees, which is why he is always there working side by side with them. Leading by example sets a standard for employees of what is appropriate work ethic. It also shows them that the entrepreneur is working with them rather than over them. He also gives them free bread and T-shirts. He does note that these people are naturally motivated by the product. They believe in the vision of the company so they are motivated to work hard to achieve it. Other rewards include a health care plan, a good salary and occasional raises. One necessary motivational method he gives is recognition. Without it he would not be able to get the same quality of work they provide. This just emphasizes the importance of thanking employees for their contributions. Lahvic has found that recognition goes a long way in increasing employee moral.

The next entrepreneur I talked with was Rob Mason. Over the years he has started a number of companies, including a travel agency, a food service company with a retail store, and a cable T.V. company with a video store. There were several other ventures that he never started because through his market research, he discovered they would be unprofitable.

When I asked him about the visions of his companies, he said that they always changed along the way. One example he noted was for his food service business. The original vision was to become a "purveyor of high quality meat and seafood for the general market. The venture evolved into a specialty gourmet food retailer. It changed again, because he discovered that their main business was gift services. Customers were buying their products for others rather than themselves.
Mason was motivated to act on his visions for three reasons. The first was for money to pay his bills. The next was to be his own boss. His partner was an excellent salesman and sold him on the idea of being in control of his own business. The third reason for acting on his business was because he had a deep desire to start a business and make it work. He had a high need for achievement and saw that starting a company would challenge him to the best of his ability.

Mason had a partner to start one of the businesses with. Although they didn't consciously look for interdependent skills that would be needed to make the venture successful, they managed to possess two different and equally important skills. The partner came had a strong sales background which would be needed to attract customers. Mason had an administration background from the experience he gained from being involved in several other small companies beforehand. Together these skills proved to be effective.

When I asked Mason what skills he thought were necessary to start a successful business, I was surprised by his answers. The first and most important skill is the ability to learn. While he said that it is an intangible skill, he noted that it is still necessary. Entrepreneurs need to be able to learn new things quickly. Another skill that goes along with the first one is the ability to manage many things at the same time. When starting your own company, there are going to be multiple and varied things going on at the same time that the entrepreneur must have to deal with. If the entrepreneur cannot learn to do things quickly then he or she will never be able to manage the venture. Mason also noted that selling skills are important. The entrepreneur must understand how to sell because if he or she can't sell, then their venture will ultimately fail. The entrepreneur is constantly selling the business whether it is to the investors or the customers. Along with that skill, marketing is very helpful in improving the success of the company. Mason also noted that
one skill that he has seen affect a lot of small business owners is the ability to develop trusting and long standing relationships in business. The entrepreneur needs to know who they can trust. While Mason admits that this is an elusive skill, it is nevertheless extremely important to have. He has consulting a lot of entrepreneurs who have been taken advantage of or who have taken advantage of others.

Mason claims that environmental scanning is the "process that allows one to define and confirm existence of a market opportunity because without a market opportunity, there is no business." Therefore, environmental scanning is the most important part of starting a business. While Mason did admit that in his first few ventures he rarely did any market research, he has changed his opinion over the subject. Before he would conceive an idea and he would figure that since it was such a good idea, people would want to buy in to it. Later he discovered that market research is helpful in determining if the business will be a success. As a result of him doing his homework, he has chosen not to pursue several ventures that would have ultimately failed. There are two aspects of market research. The first is primary which is visiting companies already in business and asking them questions. Another part of this is talking with potential customers. The second aspect is secondary research. This looks at the source documents that have been written by others. Two things that Mason always looks for in evaluating an opportunity is profit potential and durability of the profit potential.

Another important aspect of starting your own business is financial management. Mason feels that this is the second most important thing in the start-up.

Motivating others is also important to Mason, although he concedes that it is difficult to describe how he motivates others because in a start-up, he may have one employee and two other partners. Motivation is so individualistic that it varies from employee to employee. One way he
does try to motivate others is by getting them to participate in the profits of the company. If they are going to be committed to the goals of the company then they should benefit when those goals are realized.

Chuck McCaid, was the next entrepreneur that I interviewed. He started People's Income Tax. His vision was to create a nation wide company that would franchise its business. Along the way, the vision has changed by licensing its tax school to other firms which no other national chain does. McCaid, was motivated to start his business because he needed a job. He had worked for H & R Block for 18 years and had outgrown the company. The company had so many rules and regulations that it emphasized the importance of having bureaucratic employees rather than innovative ones. Therefore, McCaid left to start his own business.

The experience of working at H & R Block was very valuable to him because he learned to manage a business. He had been a regional manager and learned what skills were necessary to start your own business. In fact, starting the business, in some ways was easier because it was like running a district rather than a region. Many of the employees were seasonal rather than full time. The experience gave him insights into ways that he improve the income tax service.

McCaid hired a few people to help with the skills that he lacked. He first hired an accountant to handle the finances of the business. He said that many entrepreneurs have failed because they didn't handle the numbers properly, so he wanted to ensure his company's success. He also hired a person to do graphics work and someone to do telemarketing. He was not good at either of these things so it was necessary for him to get someone who was.

McCaid was very fortunate to have access to most of the market research that H & R Block had done over the years so he didn't have much research to do. He did however conduct a
survey which helped him understand who the majority of the clients for income tax services were. Through this information, he was able to market his business to this sector of society. While he did not do much environmental scanning he did say that it is critical if you don't know that much about the industry.

When I asked him about risks that he took, I was surprised by his response. He said that he didn't perceive any risks in starting his business. He had no doubt that he would be successful. He emphasizes Harrell's point even more about entrepreneurs being so sure of their ventures' success, that they don't think there are any risks at all.

The skills that McCaid thinks are important are communication, financial management, salesmanship, strong work ethic, vision, leadership ability and the ability to wear different hats. The entrepreneur must be able to communicate effectively in both oral and written form. He never realized how vital written skills were before he entered the business. Communication is important in communicating the vision to others. The vision needs to be in written and verbal form and be understood and believed by followers. The entrepreneur needs to be able to portray a picture for the followers. As we talked about earlier, financial management is essential. Salesmanship is necessary because the entrepreneur is constantly selling the business to attract customers. A strong work ethic is needed because the entrepreneur needs to put in long hours and tolerate extensive pressure. Leadership is vital because the entrepreneur 'can't get things done without other people in the team.' Part of leadership is motivating others. He said that entrepreneurs should create an environment in which employees can "achieve both personal and corporate goals at the same time." By tying those two together, employees are naturally motivated to achieve the goals of the company. If they want to earn money, then the entrepreneur needs to tie financial rewards to the performance of the employees. The ability to wear different
hats is essential because the entrepreneur needs to be doing a bunch of things at the same time and perform a varied amount of roles.

The next entrepreneur that I interviewed was Dave Pieroni who started his own consulting business. The vision he had for his company was to provide independent advice to owners and CEOs of private companies. He had 8 employees who shared his vision. He ensured that they did by two methods. The first was in the interview where he looked to see if they were excited about his vision. If they didn't seem excited and didn't as intelligent questions about the vision, then he wouldn't hire them. The next way he made sure that they were motivated by his vision was to make them buy equity in the company. If they were willing to invest their savings in the company then they would be motivated to help it grow. He was motivated to act on his vision because he had been in the consulting business for 25 years and wanted to be independent of a company to pursue the goals he had set for himself. At his previous job, he was a regional partner of Ernst and Young Consulting. He was not happy with the organization so he decided to start his own. Since he had been in the industry for so long, he knew that there was a market for his business. He could bring the contacts that he had met over the years to his new business. As we can see consulting is very different from most other ventures because the ambiguity of future business is not as risky.

The risks that he did take were mostly financial. He was leaving Ernst & Young where he was making a good income with an excellent retirement plan. So starting his business "required guts because there were no guarantees". He wasn't not sure whether he was going to have the same style of living as he had done in his previous job. But that was a risk he was willing to take. He had passion for his idea and believed in it tremendously.
The skills that Pieroni possess are vision, intellect and experience. In order to complement his skills, he hired individuals with experience in marketing, accounting and data processing.

He thought that financial management was essential, because as he said "cash is king". Without cash, he cannot pay his employees. Access to cash is also essential. A venture must have reserves to pay loans or investors. He noted that entrepreneurs should not spend anything before they have the revenue to support it. He has seen too many entrepreneurs that have spent too much too early before they had earned the money to pay for it. As a result, they were forced to go out of business almost before they started. I asked him how he paid his employees and he said that he made sure they were wealthy and had no monetary concerns. That is another reason why he likes to have his employees invest in the business. If they have the savings to invest, they probably also have the savings to live off of until the company can produce some revenue.

The 4 skills Pieroni thinks are vital are financial management, marketing, sales, and a decent product. He emphasized the ability to sell. He said that if the entrepreneur cannot convince anybody that their product is superior then they will never succeed. Pieroni went on to tell me a story of a chemical engineer who had developed an excellent product but had terrible sales skills so the guy never ended up starting his business.

The next person I talked with was Bob Spencer who started Spencer & Spencer Systems with his wife, Linda. It is a computer software company. His vision was to replicate his previous income level and create a business where he and his employees could enjoy going to work. He wanted to have a business in which he could attract his friends and help add to the quality of life. In the computer software industry, there is a lot of turnover because so many people are dissatisfied with their jobs. Spencer's goal was to create an environment in which he would retain
employees because they liked going to work. As a result, of the 95 employees they currently have
in the main office, 25 have been there for 10 years.

Bob had 17 years experience working for a Fortune 500 company's computer services
division. His wife, Linda, had almost 10 years experience working for a competitor of their
current business in the computer software industry. Together their skills seemed to compliment
one another. This experience was critical to their early success because their first 6 customers
were people they had previously worked with. Of the first 25 people that worked for their
company, 20 of them had also previously worked with them too. Bob also had a sales and
marketing background which was very helpful in finding an opportunity and selling it to people.
Linda was very organized and had good administrative skills that were necessary in running the
company.

To motivate his employees, he tries to explain to them what he is trying to do and how he
thinks he can make it successful. The mission of the company is one way he has been able to
motivate others. The mission starts out saying 'treat people with dignity and respect...". By
fulfilling their mission statement, employees feel good about themselves and the company so they
are motivated to work hard. Spencer goes on to say that he would not work without his mission
statement. He would get out the business. That emphasizes the importance of the mission
statement and that commitment will attract others who want to work in that kind of environment.

The risks he took when starting this business were purely financial. They had both quit
their jobs and had invested their savings into this venture. In addition, they signed a second
mortgage on their house to get a line of credit at a bank. They were not that concerned about
possible failure because they felt that they had marketable skills and could eventually get another
job if they wanted to.
To scan the environment they did a combination of things. First Spencer talked with people working at his competitors. It was helpful that his wife worked at one competitor so she was able to evaluate if there would be a market for their company. The next thing he did was make sales calls to prospects. He wanted to find out how much money they would pay for the services they were going to offer. Then his last step was to go to the people they knew and see if those people were interested in buying the services that would be offered. Spencer thought that scanning the environment is critical because it provides facts to justify the venture.

I was most surprised by his response on his view about financial management. He said that they didn't hire anyone to do the bookkeeping and manage the money. Instead they took some classes that were given by the Small Business Administration. It wasn't until the company was 7 years old that they decided to hire someone to manage their money. They had felt that at a small company, most of the record keeping was common sense just trying to keep revenues ahead of expenses. One bit of advice he gives though is to develop a banking relationship early on. They had talked with several other entrepreneurs and that was one thing that kept coming up. This would be useful in getting a line of credit established. If the business is tight for money or if customers are slow on paying their receivables, then the entrepreneur could be forced to miss a payroll, in which most of the employees would probably leave. A line of credit at a bank would allow the entrepreneur to pay the employees so that the venture would not be forced out of business.

The things that entrepreneurs must have is first and foremost a sales and marketing background because if the entrepreneur cannot sell the product then the business will never succeed. The second thing that entrepreneurs must have is a competitive service that delivers value to the customers.
Some attributes that Spencer thinks are important to the success of the venture is first persistence because there are several road blocks towards achieving success. If the entrepreneur does not have the determination to stay committed to the venture, then the venture will never endure. The second attribute is confidence and optimism. Others need to see that the entrepreneur is confident about the future success of the business and about the superior quality of the company. The third attribute is selling skills which I have already mentioned. It is interesting how much he stressed the importance of selling skills.

The experience of exploring entrepreneurial leadership has been valuable to me. Before I started this project I had always felt that it would be fun to start my own business. After researching this topic and talking with entrepreneurs, I am more committed than ever. Researching this topic has been enjoyable and something that I always looked forward to. Learning new ideas made my heart race with excitement and made me aware that I would have to start my own business sometime in the future. I don’t know exactly what kind of business it will be, but I know that I have to try something. In order to prepare myself, I am going to use the information that I have gained from this project to prepare me for when I do decide to launch my first venture. The first thing I am planning to do is get some sales experience. From the entrepreneurs that I talked with, it is imperative to understand how to sell your product to others. After that experience, I plan to attend graduate school and for the first time in my life, I am looking forward to majoring in either finance or accounting. I have realized how important it is to have a strong financial management background, so I want to be prepared. While I could always get a partner with that experience, I think that it would be helpful in researching the opportunity and creating a business plan if I had the experience myself. In addition, entrepreneurs need to run
their business as frugal as possible to keep costs down. In order to observe if this is being done effectively, I need some exposure to finances to understand what is going on. Reading about the attributes of entrepreneurs have given me confidence that I have the kind of qualities that successful entrepreneurs possess. I know that doesn't mean I will automatically be successful, but it does give me some credibility and justifies my interest in it. Motivating others is something that I already knew a lot about from the experiences at the Jepson School of Leadership. I always knew that it is important in whatever organization you work in because it shows how to get the most out of the employees. I was surprised that a lot of my books mentioned recognition as the most important motivating tool to inspiring the employees. Followership was another topic that I had some exposure to in a few of my classes, but I really got a chance to understand how it related to Entrepreneurialism through my research. This area is one part that separates my paper from a lot of the other books and articles on entrepreneurialism. Very few mentioned this need outright, but I think it is just as valuable as the others pieces that I described. Scanning the environment is another area that I knew little about. I have learned how important it is to finding out if the idea you have has a market. Without scanning the environment there is no way to tell whether the product or service has any real need and will be successful.

One of the most valuable aspects of this project has been the conversations I had with the entrepreneurs. I got a chance to talk to 6 different entrepreneurs about their experiences and I have learned a tremendous amount. Each one of them provided some insight into the difficulty of starting your business, but after talking with them, it seems a little easier than I had first thought.

I am sorry to have finished this project because it was so much fun. One problem I had was sifting through the amount of information of the subject. It was difficult to restrain myself from reading all of the books I saw, but there was just not enough time. I wish I had another
whole semester to research because I feel I could improve my paper tremendously. Nevertheless, I am excited about what I have accomplished and plan to keep a copy of this on hand so that when I do start a business, I can refer to it and try to implement the ideas that I have discussed.

In addition to learning about how to start my own business, I learned a lot about leadership. Entrepreneurialism provides a new context for leadership to be considered. While leadership has been discussed in large organizations and while it has been discussed subconsciously in entrepreneurial books, it is something that needs to be discussed further in this particular situation. Entrepreneurs are some of our best examples of leaders so there needs to be more research on their attributes and how they use those attributes to succeed in starting their own business. They can provide us with some insight into a lot of leadership issues. Vision is one that is especially important to increasing our understanding of the topic. Entrepreneurs need to develop visions that others will be motivated to accept. Entrepreneurs are asking others to invest their money into a venture that is uncertain. In addition, the vision also needs to include employees and customers and be motivating for them too. Employees need to feel that the business will be around for awhile and that the company possesses some real value.

Entrepreneurial leadership broadens our understanding of motivation as well. Entrepreneurs are not able to spend a lot of money rewarding employees so it is essential to find other methods. One that I think is particularly interesting to this context is the fact that the followers are sometimes budding entrepreneurs themselves. They have many of the same attributes as the entrepreneurs so they are motivated by an environment that gives them the ability to take risks, take on responsibility and reward them for their individual initiative. Along with this is the aspect of followership. The entrepreneur needs to depend on his or her followers to be just as committed to the company's goals as he or she is. There are a million things going on at once
when the business opens that the entrepreneur needs to empower the followers to take on
meaningful tasks and responsibilities. If the entrepreneur does not try to develop effective
followership, the venture will never get off the ground. The followers are an integral part of the
venture.

While having effective followers is critical, the leadership attributes of the entrepreneur is
just as important. Gardner and several other leadership scholars have done significant research on
the attributes of leaders. The entrepreneur is just one of many leaders that possess the necessary
leadership attributes for success. Starting a company requires such a tremendous time
commitment that the leaders within it must be able to handle the stress and ambiguity that goes
along with it. This takes leadership to handle this ambiguity of whether they will meet the next
paycheck. Employees, investors and customers will be looking to them to see if they will be
around next month. The entrepreneur needs to be confident and optimistic in the face of negative
obstacles that must be overcome. In addition, the entrepreneur must have a high need for
achievement and believe that through the hard work that he or she puts into the venture, they will
succeed. Integrity is another important factor that is vital to entrepreneurs. The companies do
not have a history that can garner trust from investors, employees, and customers. Therefore,
they will be forced to rely on the integrity of the leader to determine if they can trust the company
and everything it offers. We can go on and on, because entrepreneurs have to be leaders in order
to build a company from scratch into a growing enterprise. While managers can start a company,
it takes leaders to make it successful.


Timmons, Jeffry A. *New Venture Creation: Entrepreneurship in the 1990s*, 3rd ed. (Boston, Irwin 1990)
