

Entrepreneurial Management

Chapter 13

Professional Management and the Small Business

Lecturer: Dr. Michaella DeLeon Castillo
Philippines

*After studying this chapter,
you should be able to...*

1. Discuss the entrepreneur's leadership role.
2. Explain the small business management process and its unique features.
3. Identify the managerial tasks of entrepreneurs.
4. Describe the problem of time pressure and suggest solutions.
5. Explain the various types of outside management assistance.



Small Business Leadership

- What is Leadership?
 - Involves pointing the way: creating and communicating the entrepreneur's vision of the firm.
 - Varies in a business as it grows larger and more mature.
- Leadership Qualities of Founders
 - A tolerance for ambiguity
 - A capacity for adaptation

Small Business Leadership (cont'd)

- What Makes a Leader Effective?
 - One who is focused intently on attaining the firm's business goals.
 - One who creates a significant personal relationship with employees based on loyalty and respect.
 - One who directly influences employees' understanding of how the firm operates (e.g., its ethics).
 - One who makes the firm attractive to new employees.

Small Business Leadership (cont'd)

- Leadership Styles

- *Visionary leaders* mobilize people toward a vision.
- *Coaching leaders* develop people, establishing a relationship and trust.
- *Affiliative leaders* create emotional bonds.

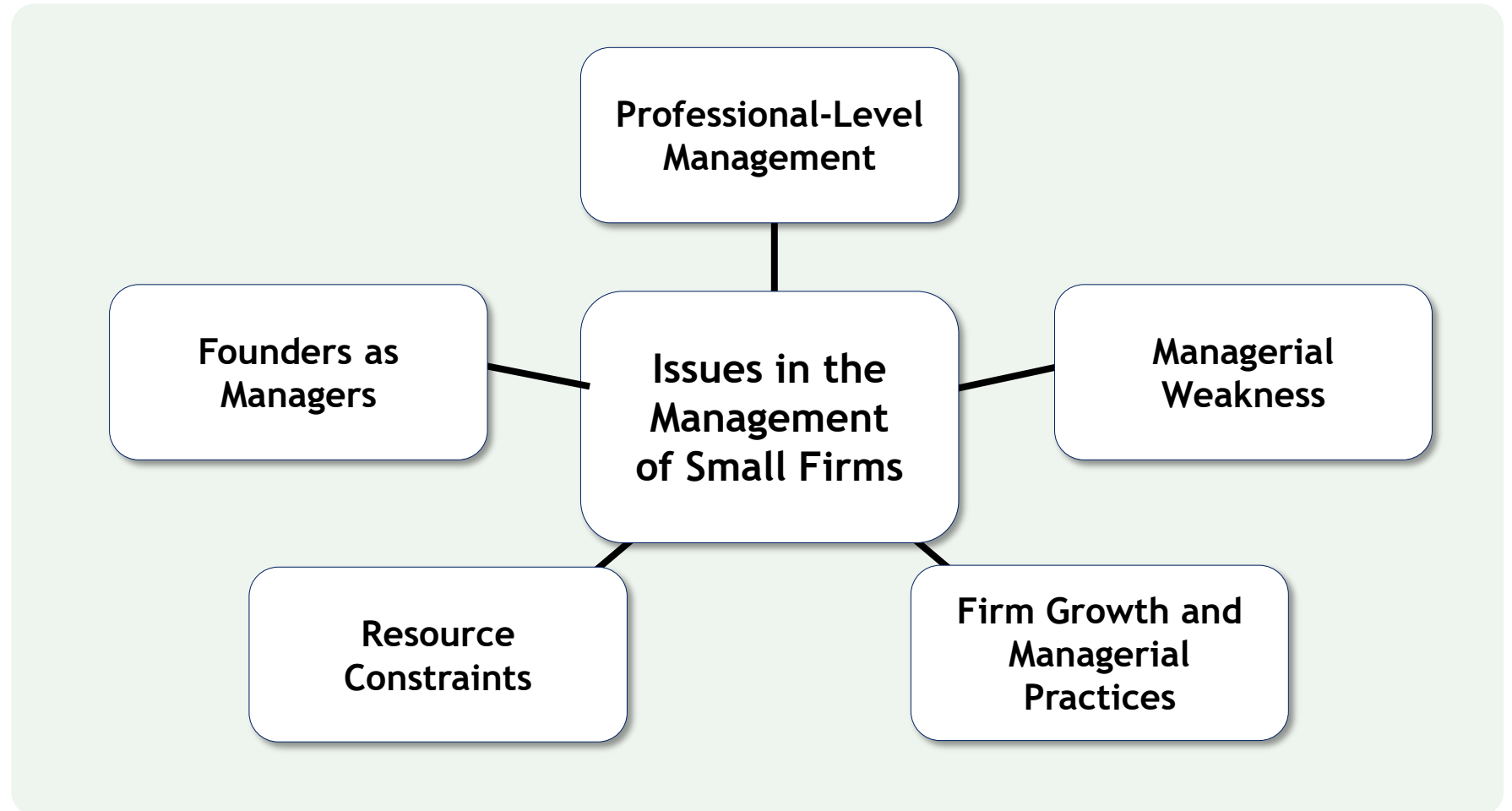
Small Business Leadership (cont'd)

- Leadership Styles
 - *Democratic leaders* build consensus through participation.
 - *Pacesetting leaders* set high standards and expect excellence.
 - *Commanding leaders* demand immediate compliance.

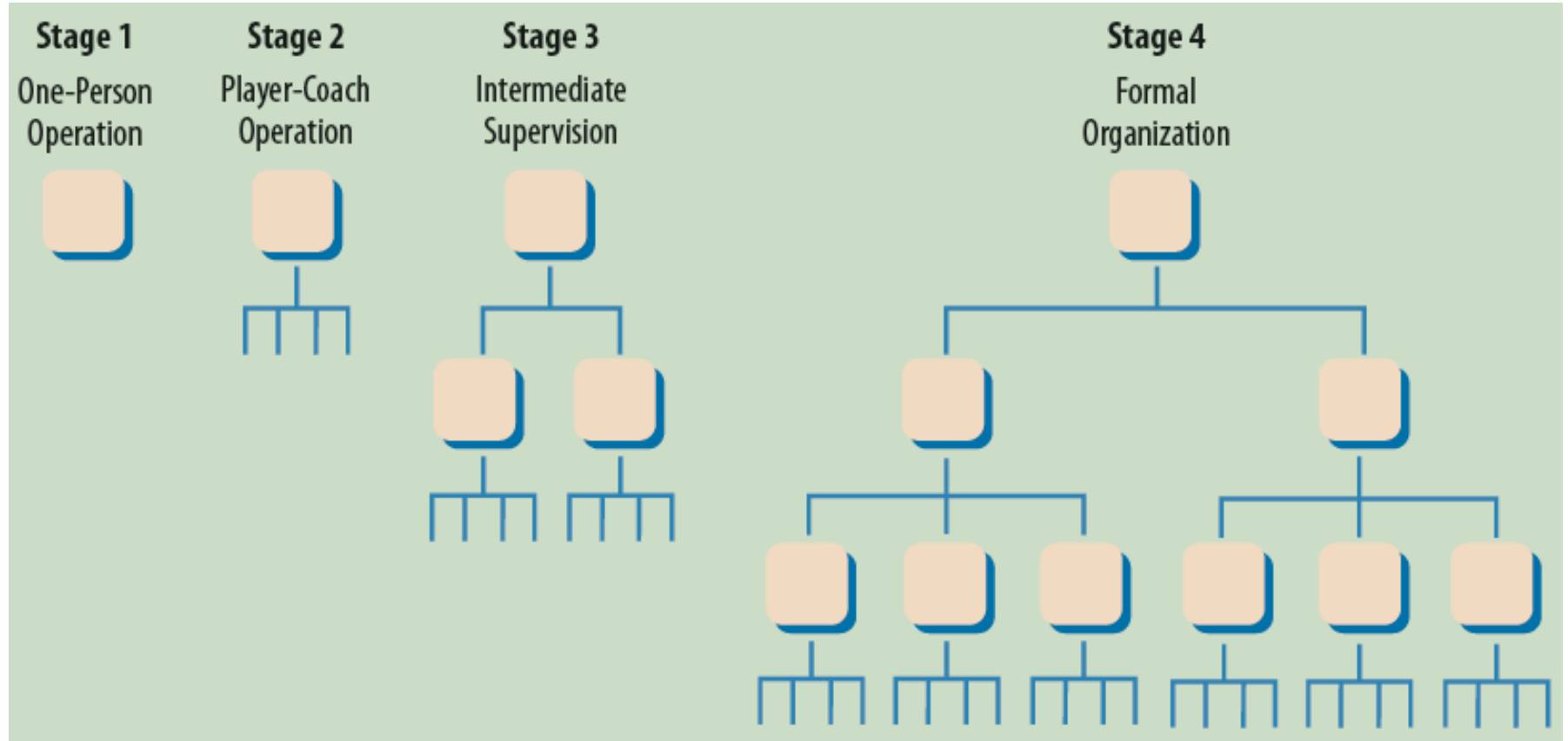
Small Business Leadership (cont'd)

- Leaders Shape the Culture of the Organization
 - Empowerment
 - ❖ Giving employees authority to make decisions and take actions on their own
 - Self-Managed Work teams
 - ❖ Groups of employees with the freedom to function without close supervision
 - Working environment
 - ❖ Workers are affected by their surroundings
 - Good Hiring
 - ❖ Employees who fit the personality of the firm

The Small Firm Management Process



Organizational Stages of Small Business Growth

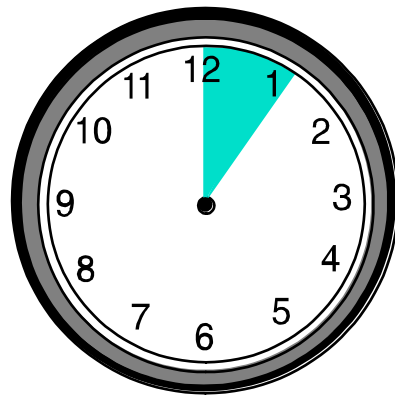


Stages in Firm Growth and Management

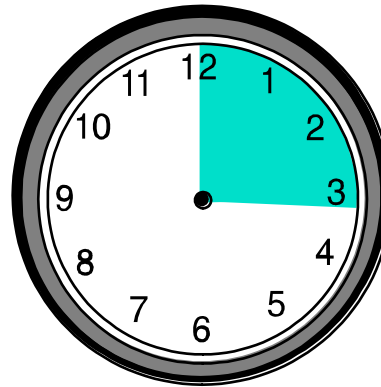
Growth Stage	Entrepreneur's Workload
Stage 1. One-Person Operation	Doing all of the work. Making contact with customers.
Stage 2. Player-Coach	Continuing to do some of the basic work, although learning to hire and supervise.
Stage 3. Intermediate Supervision	Rising above hands-on management; working through intermediate managers.
Stage 4. Formal Organization	Using plans and budgets; following policies and procedures.

Managing Versus Doing

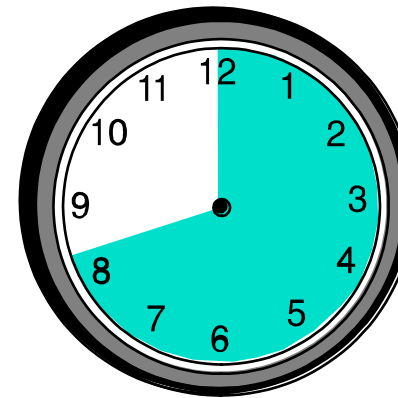
STAGE 1
One-Person
Operation



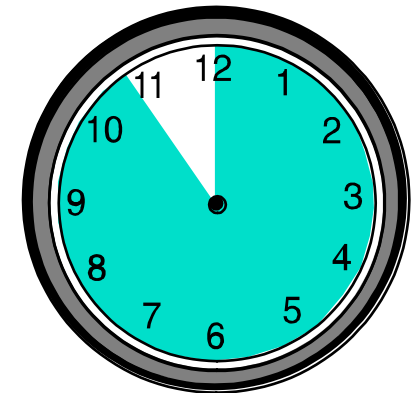
STAGE 2
Player-Coach



STAGE 3
Intermediate
Supervision

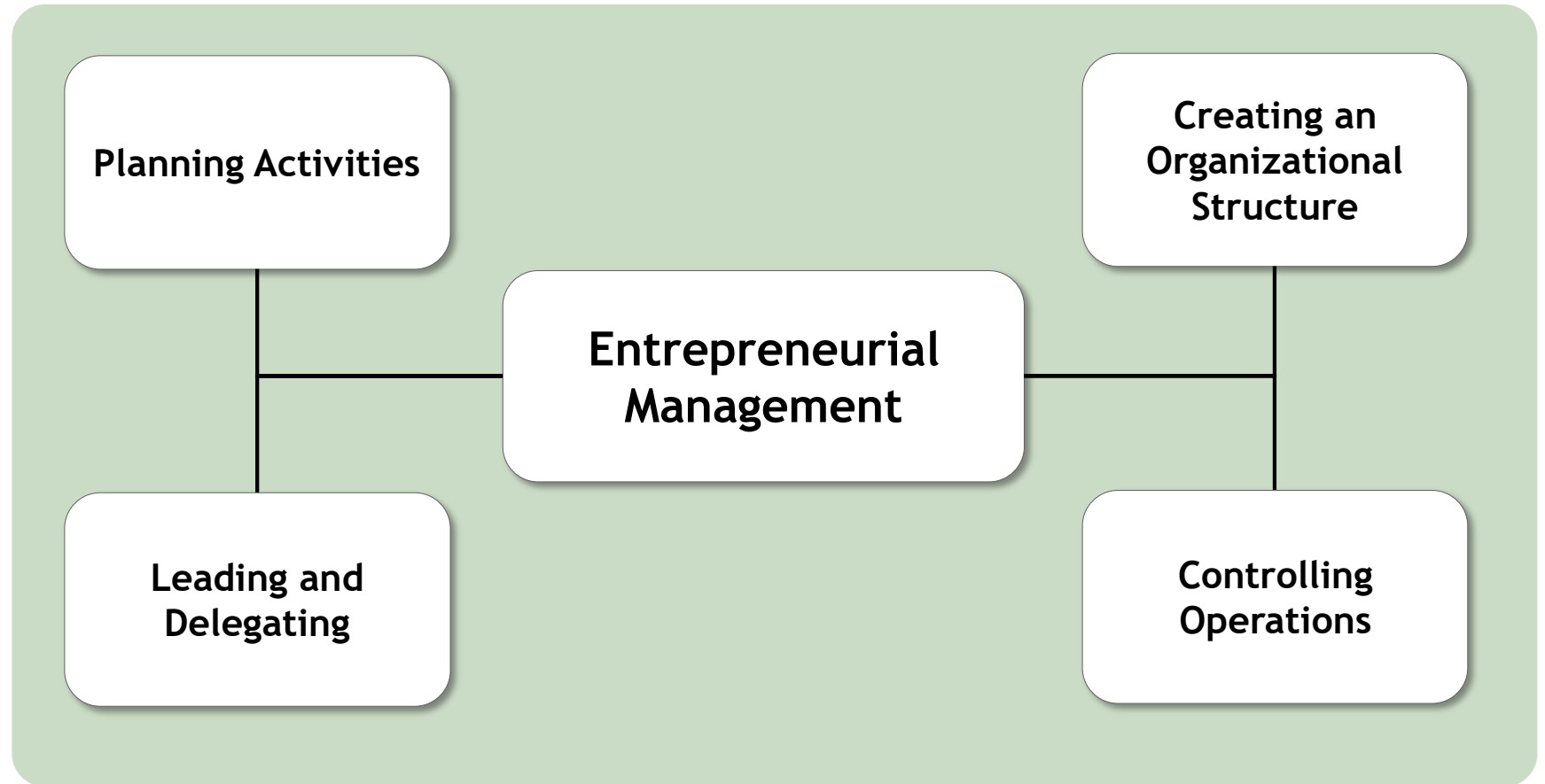


STAGE 4
Formal
Organization



 Time spent managing  Time spent doing

Managerial Responsibilities of Entrepreneurs



Planning Activities

- The Benefits of Formal Planning
 - Improved productivity
 - Better focus on goal attainment
 - Increased credibility with stakeholders

Planning Activities

- Planning Time
 - “Tyranny of the urgent”
 - Planning requires discipline
 - Planning should not be postponed
- Employee Participation
 - Employees are an excellent planning resource

Planning Activities: Types of Plans

Type of Plan	Purpose
Long-range plan (strategic plan)	A firm's overall plan for the future
Short-range plan	A plan that governs a firm's operations for one year or less
Budget	A document that expresses future plans in monetary terms
Business policies	Basic statements that provide guidance for managerial decision making
Procedures	Specific work methods to be followed in business activities
Standard operating procedures	An established method of conducting a business activity

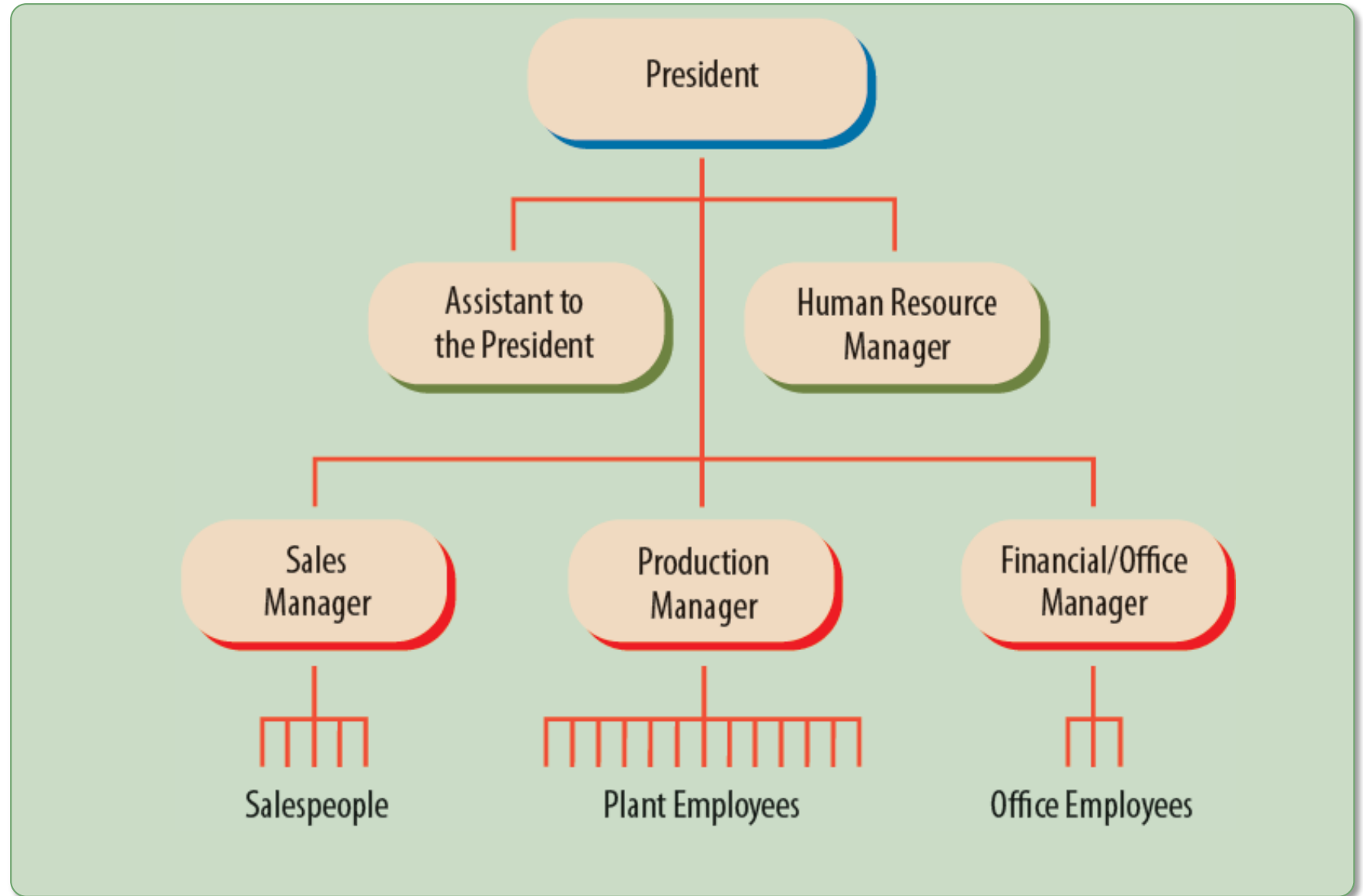
Creating an Organizational Structure

- The Unplanned Structure
 - Structure evolves as the firm evolves.
 - Growth creates the need for structural change.
- Chain of Command
 - The official, vertical channel of communication in an organization
 - A channel for two-way communication
- Span of Control
 - The number of subordinates supervised by one manager

Creating Structure (cont'd)

- Line Organization
 - A simple organization in which each person reports to one supervisor
- Line and Staff Organization
 - An organizational structure that includes staff specialists who assist management
 - Line activities
 - ❖ Activities contributing directly to the primary objectives of the firm
 - Staff activities
 - ❖ Activities that support line activities

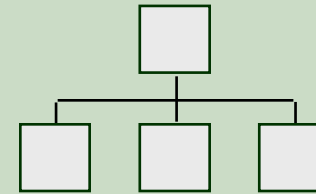
Line-and-Staff Organization



Factors Determining Optimum Span of Control

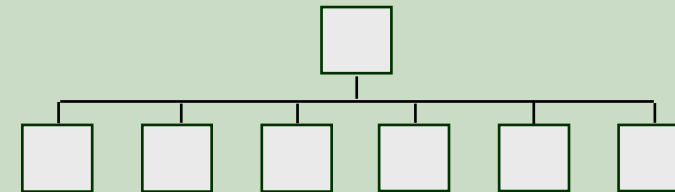
Few Subordinates

Complex work
Inexperienced workers
Superior with limited ability



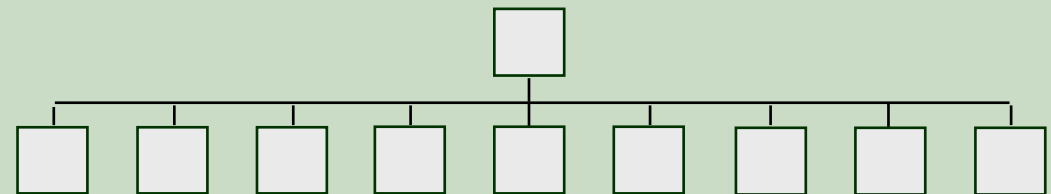
More Subordinates

Moderately difficult work
Moderately experienced workers
Superior with moderate ability



Many Subordinates

Simple work
Very experienced workers
Superior with much ability



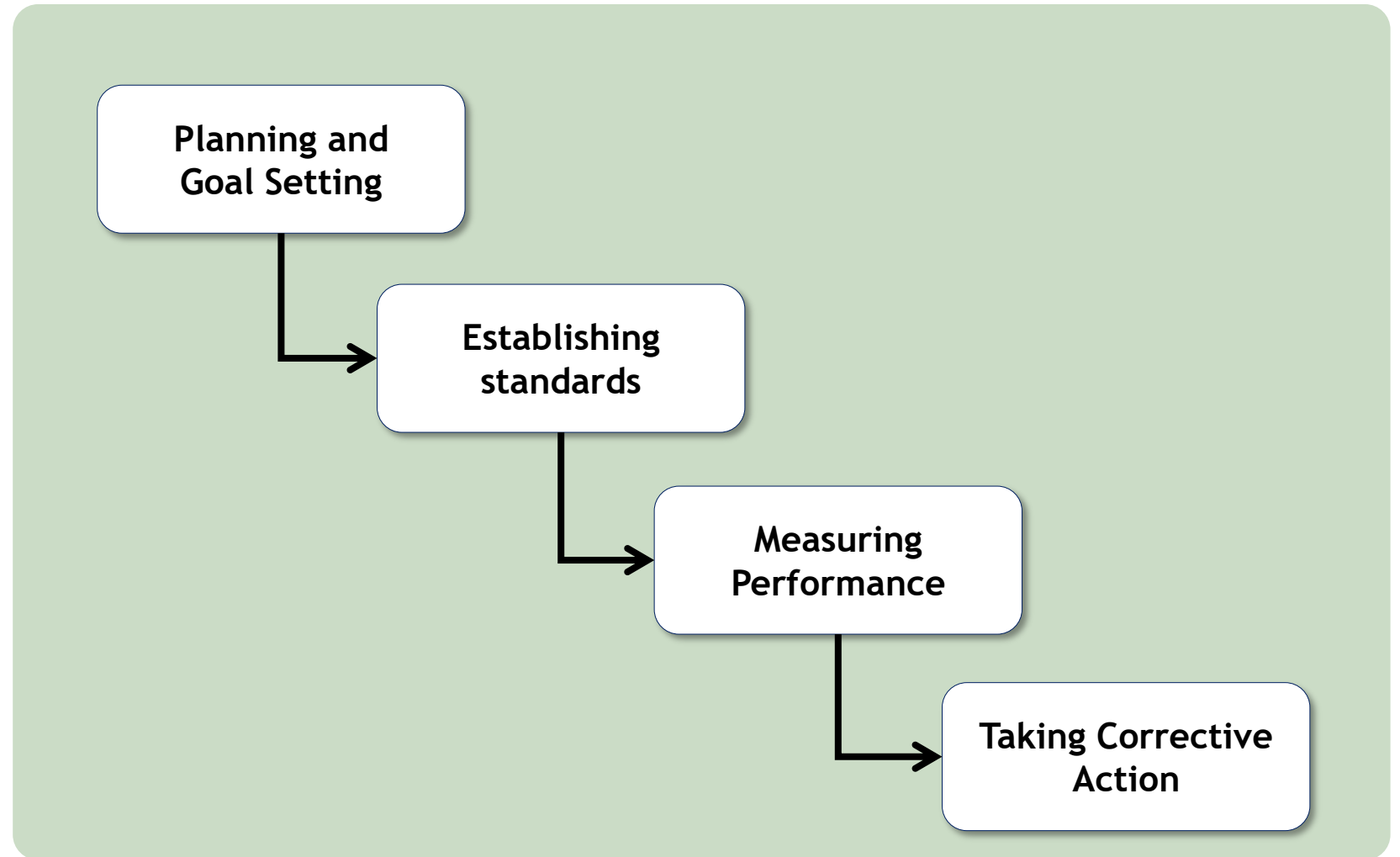
Creating Structure (cont'd)

- Understanding Informal Groups
 - Have something in common.
 - Have an informal leadership hierarchy.
 - Are beneficial if group goals are aligned with organizational goals.

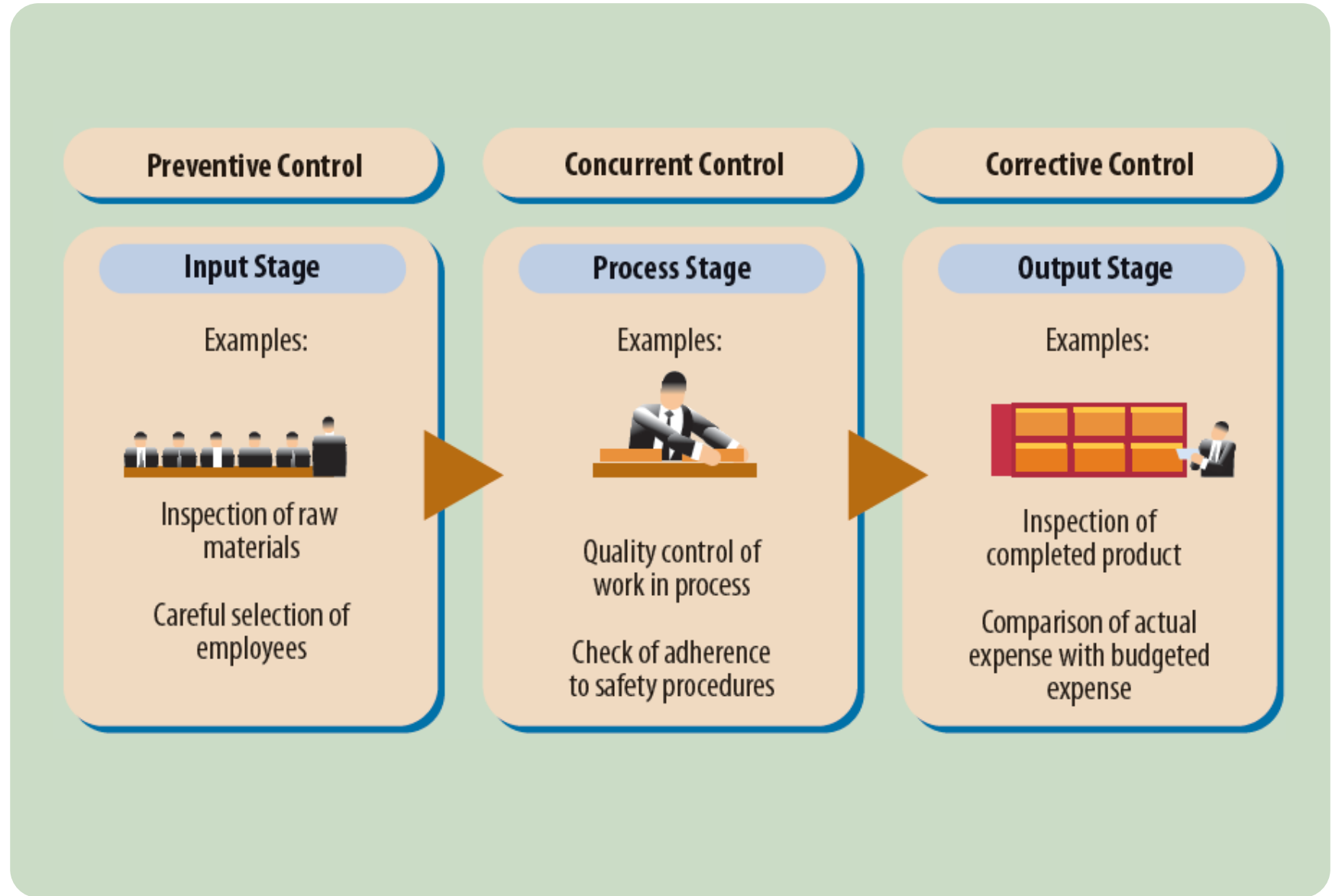
Delegating Authority

- Delegation of Authority
 - Granting to a subordinate the right to act or make decisions
- Benefits of Delegation
 - Frees up superior to perform more important tasks
 - Develops subordinate's skills
 - Improves two-way communications

Controlling Operations



Stages of the Control Process



Communicating

- Stimulating Two-Way Communication
 - Periodic performance review sessions for feedback.
 - Bulletin boards to keep employees informed.
 - Blogs, microblogs and wikis for internal communication
 - Suggestion boxes to solicit employees' ideas.
 - Staff meetings to discuss issues and problems.
 - Informal meetings with employees to socialize and talk.

Negotiating

- Negotiation
 - Two-way communication used to resolve differences in needs, goals, or ideas.
 - Win-lose negotiations
 - ❖ One party must win and the other party must lose.
 - Win-win negotiations
 - ❖ Both parties find a solution that satisfies both parties' basic interests.
 - ❖ End result of negotiations promotes long-term continuing relationships.

Presentation Tips

- 1. Do your homework.**
- 2. Know your material.**
- 3. Be interactive.**
- 4. Make vivid mental connections in the minds of listeners.**
- 5. Emphasize relevance.**
- 6. Be dynamic, but be yourself.**
- 7. Use PowerPoint with care.**
- 8. Dress appropriately.**
- 9. Avoid food and drink that make speaking difficult for you.**
- 10. Practice, practice, practice.**

Personal Time Management

- The Problem of Time Pressure
 - Many owner-managers work 40-80 hours per week.
 - Effect of overwork is inefficient work performance.
- Time Savers for Busy Managers
 - Effective use of time (time management)
 - ❖ Analyze how time is normally spent
 - ❖ Eliminate practices that waste time
 - ❖ Carefully plan available time
 - ❖ Use a daily planner to prioritize activities
 - ❖ Don't avoid unpleasant or difficult tasks
 - ❖ Limit conference and meeting times

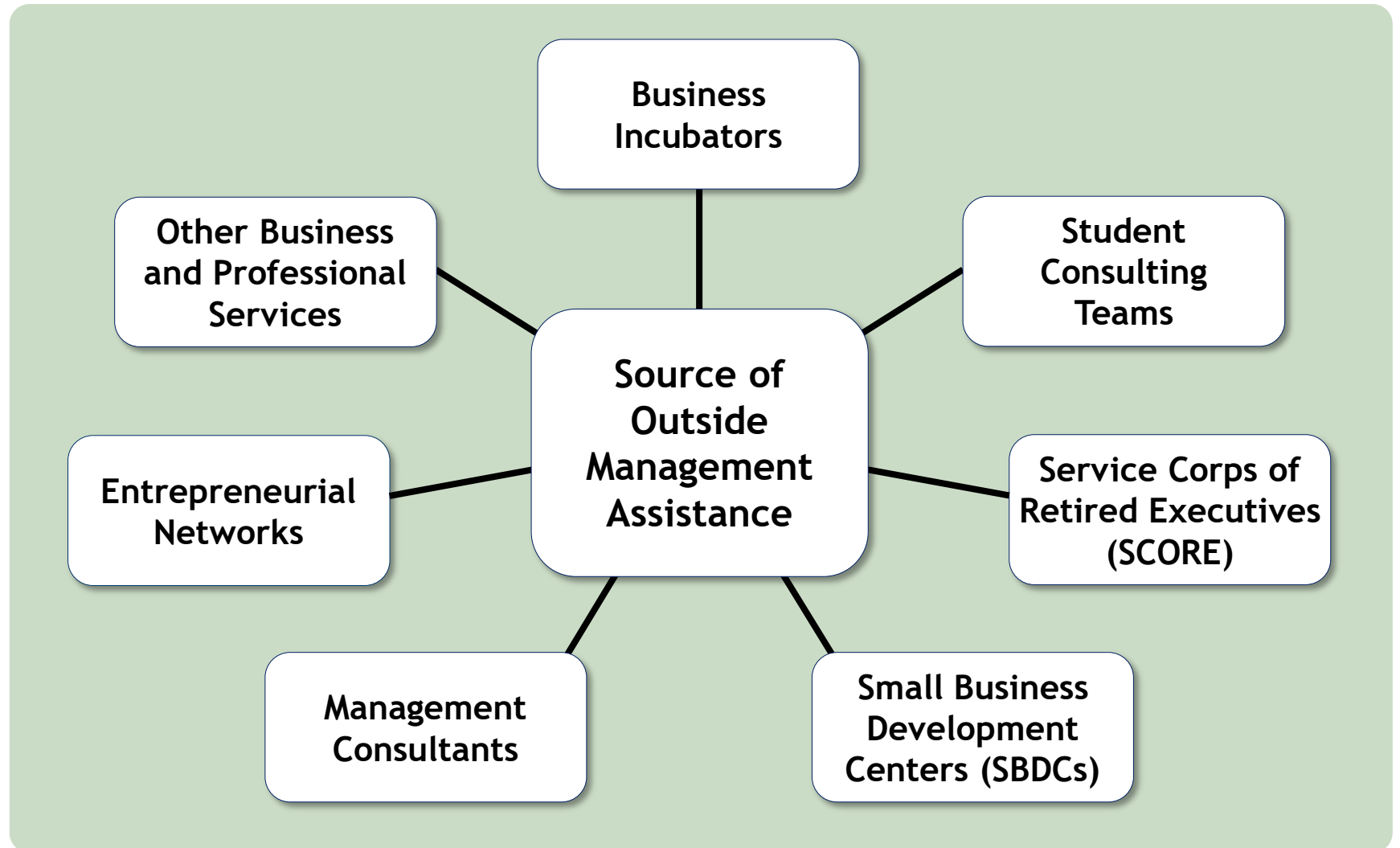
Prioritizing Time and Attention

- Pay attention to critical activities (urgent and important).
- Deal with important concerns (not urgent, but important).
- Avoid interruptions (urgent, but not important) that can keep you from completing important work.
- Avoid distractions (not urgent and not important) as much as possible.

Outside Management Assistance

- The Need for Outside Assistance
 - To supplement entrepreneur's personal knowledge and experience.
 - To provide opportunities to share ideas with peers.
 - To reduce feelings of loneliness and working in isolation.
 - To have access to outsiders' detached, objective viewpoints, insights and ideas.
 - To gain fresh knowledge of methods, approaches, and solutions beyond the experience of the entrepreneur.

Sources of Management Assistance



Key Terms

budget

chain of command

delegation of authority

empowerment

line organization

line-and-staff organization

long-range plan (strategic plan)

negotiation

networking

professional manager

self-managed work teams

Service Corps of Retired Executives (SCORE)

short-range plan

small business development centers (SBDCs)

span of control