

## Chapter 5 – Entrepreneurship and Small Business Management

**Entrepreneurship** – is risk taking behaviour that results in new opportunities.

**8 Characteristics of entrepreneurs** - internal locus of control, high energy level, high need for achievement, tolerance for ambiguity, self confidence, passion and action orientation, self-reliance and desire for independence, flexibility.

- 95% of Canadian business are classified as small businesses.
- a **small business** has fewer than 100 employees, is independently owned and operated, and does not dominate its industry.
- **family business feud** a situation where family members have disagreements over how the business should run.
- **succession problem** who will run the business when the current head leaves.
- **reasons for small business failure:** lack of experience, lack of expertise, lack of strategy and strategic leadership, poor financial control, growing too fast, insufficient commitment, ethical failure.
- **stages of a small business:** BIRTH – struggle to survive. BREAKTHROUGH – business model. MATURITY – market success and financial stability.
- Included in a **business plan:** (1)Executive Summary (2)Industry Analysis (3)Company Description (4)Products and Services Description (5)Market Description (6)Marketing Strategy (7)Operations description (8)Staffing description (9)Financial Projection (10)Capital Needs (11)Milestones
- SLENT framework can be used for Industry Analysis.
- **sole proprietorship** individual pursues a profit, owner is personally liable for business debts and claims.
- **partnership** two or more people agree to contribute resources to start and operate a business together.
- a **corporation** legal entity that exists separately from its owners gives the firm a life beyond its own that of its owners.
- **Limited Liability Corporation (LLC)** hybrid business form combining advantages of sole proprietorship, partnership and corporation, for liability purposes it functions like a corporation and for tax purposes it is taxed like a partnership.
- **debt financing** involves borrowing money that must be repaid over time with interest.
- **equity financing** exchanging ownership shares for outside investment monies.
- **venture capitalists** make large investments in new ventures in return for an equity stake in the business.
- **Initial Public Offering (IPO)** an initial selling of shares of stock to the public at large.
- **angel investor** is a wealthy investor willing to invest in a new venture or return for equity in a new venture.

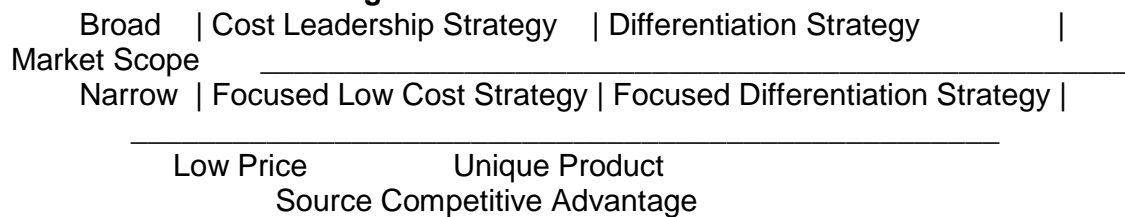
## Chapter 7 – Strategy and Strategic Management

- **competitive advantage** is to do something so well that it outperforms the competitor(s) refers to operating with an attribute or set of attributes that allows an organization to outperform its rivals.
- **typical sources of competitive advantage include:** cost and quality, knowledge and speed, barriers to entry, financial resources.
- **sustainable competitive advantage** is the ability to outperform rivals in ways that are difficult or costly to imitate.
- **strategy** plan guiding resources to achieve long term goals.
- **3 levels of strategy:** corporate strategy, business strategy, functional strategy.

- **corporate strategy** sets long term direction for the total enterprise directs the organization as a whole towards sustainable competitive advantage.
- **business strategy** identifies how a division or strategic business unit will compete in its product or service domain, strategic direction for a single business unit or product line.
- **functional strategy** guides activities within one specific area of operations guide the use of resources to implement business strategy.
- **strategic management** is the process of formulating and implementing strategies.
- **strategy formulation** is the process of crafting strategies to guide allocation of resources.
- **strategy implementation** is the process of putting strategies into action.
- **mission** statement exposes the organization's reason for existence in society.
- **stakeholders** are individuals and groups directly affected by the organization and its strategic accomplishments.
- **strategic constituencies analysis** assesses interests of stakeholders and how well the organization is responding to them (Stakeholders).
- **core values** are broad beliefs about what is or is not appropriate behaviour.
- **organization culture** is the predominant value system for the organization as a whole, helps build organization identity, gives character to the organization, backup the mission statement, guides the behavior of organizational members.
- **common goals/objectives** profitability, financial health, cost efficiency, market share/ customer service, product quality/ human talent, innovation, social responsibility.
- strategic analysis first step of the strategic management process of analyzing the organization.
- **SWOT analysis** Strength, Weakness, Opportunities, and Threats.
- **core competency** is a special strength that gives an organization a competitive advantage.
- **Porter's 5 Forces Model** (1) industry competition (2) new entrants (3) substitute products or services (4) bargaining power of suppliers (5) bargaining power of customers
- **unattractive industry** intense rivalry already exists among competitors, substantial threats in terms of new competitors, suppliers and buyers are very powerful.
- **attractive industry** less intense competition, few threats from new entrants or substitutes, low bargaining power among suppliers and buyers.
- types of strategies: growth, stability, and renewal.
- **growth strategy** involves expansion of the organizations current operations.
- **stability strategy** maintains current operations without substantial changes.
- **renewal strategy** tries to solve problems and overcome weaknesses that are hurting performance.
- **concentration** growth within the same business area.
- **diversification** growth by acquisition of or investment in new and different business areas.
- **vertical integration** growth by acquiring suppliers or distributors.
- **related diversification** pursues growth by acquiring new and different business areas.
- **unrelated diversification** pursues growth by acquiring businesses or entering business areas that are different from that one already goes.
- **restructuring** changes the mix or reduces the scale of operations.
- **turnaround** strategy tries to fix specific performance problems.
- **downsizing** decreasing the size of operators, **rightsizing** is used to describe downsizing with a clear strategic focus.
- **divestiture** sells off parts of the organization to refocus attention on core business areas.
- **globalization strategy** adopts standardizing products and advertising for use worldwide.
- **multidomestic strategy** customers products and advertising to best fit local needs.

- **transnational strategy** seeks efficiencies of global operations with attention to local markets.
- **ethnocentric view** having or based on the idea that your own group or culture is better or more important than others.
- **polycentric view** is the belief that each country a firm has presence in operates independently from one another. This allows a company to have subsidiaries in foreign markets that can independently meet the needs of foreign consumers in each market.
- **geocentric view** the world is viewed as one large market place with many firms having a world headquarters that does not represent one culture or country.
- **e-business** strategy strategically uses the internet to gain competitive advantage.
- **B2B business strategy** uses IT and web portals to link organizations vertically in supply chains.
- **B2C business strategy** uses It and web portals to link businesses with customers.
- **BCG matrix** analyzes business opportunities according to market growth rate and market share. **Stars** high market share businesses in high growth markets. **Question Marks** low market share businesses in high growth markets. **Cash Cows** high market share businesses in low growth markets. **Dogs** are low market share businesses in low growth markets.

- **Porter's Generic Strategies:**



- **differentiation strategy** offers products that are different from the competition.
- **cost leadership strategy** seeks to operate with low costs so that products can be sold at low prices.
- **focused differentiation strategy** seeks the lowest costs of operations with a special market segment.
- **strategic incrementalism** makes modest changes in strategy as experience builds over time.
- **emergent strategy** unfolds over time as managers learn from and respond to experience.
- **managerial changes** complex interpersonal networks, hectic and fast paced work settings, stay focused on long term objectives remain flexible for short run problems and opportunities.
- **corporate governance** is the system of control and performance monitoring of top management. Board of directors charged with ensuring that an organization operates in the best interests of its owners and/or the representative public in the case of non profit organization. 2 types of directors: inside and outside directors.

## Chapter 11 – Leading and Leadership Developers

- **leadership** the process of inspiring other to work hard to accomplish important tasks.
- **power** the ability to set someone else to do something you want done or to make things happen the way you want. Crucial for success, not for personal satisfaction, used for the good of the group/ organization.
- **position power** 3 types: reward power, coercive power, legitimate power. **Reward Power** is the capacity to offer something of value as a means of influencing other people

(positive). **Coercive Power** is the capacity to punish or withhold positive outcomes as a means of influencing other people (negative). **Legitimate Power** is the capacity to influence other people by virtue of formal authority, or the rights of office.

- **personal power** personal qualities that a person bring to the leadership position. 2 types expert power and referent power. **Expert Power** to influence other people because of specialized knowledge (knowledge and skills). **Referent Power** the capacity to influence other people because of their desire to identify personally with you (people admire you and want to identify positively with you).

- **visionary leadership** brings to the situation a clear sense of the future and on understanding of how to get there (sense of future).

- **servant leadership** is follower centred and committed to helping others in their work (help people use their talents to full potential).

- **Great Person Theory of Leadership:**

**Drive:** high energy level, display initiative, are tenacious.

**Self-confidence:** trust themselves, confidence in their abilities.

**Creativity:** creative and original in their thinking.

**Cognitive Ability:** intelligence to integrate and interpret information.

**Job Relevant Knowledge:** successful leaders know their industry and its technical foundations.

**Motivation:** influencing others to achieve shared goals.

**Flexibility:** adapt to fit the needs of followers and demands of situations.

**Honesty and Integrity:** trustworthy honest predictable dependable.

- physical traits have no relationship to leadership success.

- **leadership style** the recruiting pattern of behaviours exhibited by a leader, **TWO**

**DIMENSIONS:** (1)concern for the task to be accomplished; plans and defines the work to be done assigns task, responsibilities, sets clear work standards, urges task completion and monitors performance results. (2)concern for the people doing the work; warm and supportive towards followers maintains good social relations with them, respects their feelings is sensitive to their needs and shows trust in them, respect their feelings is sensitive to their needs and shows trust in them.

- **autocratic style** unilateral, command and control fashion (task over people).

- **human relations style** emphasizes people over tasks (people over tasks).

- **laissez faire style** displays a “do the best you can and don’t bother me” attitude, little concern for task lets group make decisions.

- **democratic style** emphasizes both tasks and people committed to both.

- **Fiedler’s Contingency Model** match leadership style and the situation, leadership style is part of one’s personality (enduring/difficult to change)

- **Degree of task structure:** quality of leader-member relations (good/poor), degree of task structure (high/low), position power (strong/weak).

- successful leaders do adjust their styles, based on the maturity of as indicated by their readiness to perform in a given situation “Readiness” is based on how able and willing or confident followers are to perform required tasks.

- **Path- Goal Leadership Theory** clearing the way to accomplishment, clarifies paths by which followers can achieve, help followers move along these paths by clarifying goals, removing barriers, providing valued rewards for goal accomplishment.

- **4 leadership styles:** **Directive Leadership:** letting subordinates know what is expected, giving directions on what to do and how, scheduling work to be done, maintaining definite standards of performance clarifying the leader’s role in the group. **Supportive Leadership:** doing things to make work more pleasant,treating group members as equals being friendly

and approachable showing concern for the well being of subordinates. **Achievement Oriented Leadership:** setting challenging goals, expecting the highest levels of performance displaying confidence in meeting high standards. **Participative Leadership:** involving subordinates in decision making, consulting with subordinates, asking for suggestions from subordinates using these suggestions when making a decision.

- **substitutes for leadership** (subordinate characteristics) ability, experience, and independence. Task and organizational characteristics.
- **authority decision** is made by the leader and then communicated to the group, greater expertise, confident capable, accept and implement decisions they make.
- **consultative decision** made by a leader after receiving information advice or opinions from a group member.
- **Transformational Leaders: Vision:** clear sense of direction. **Charisma:** power of personal reference and emotion. **Empowerment:** helping others by removing performance obstacles. **Intellectual Stimulation:** gaining the involvement of other by creating awareness of problems. **Integrity:** honest, credible, acting out of personal conviction.
- **emotional intelligence** is the ability to manage our emotions in social relationships.
- **5 components of emotional intelligence** self-awareness, self management, motivation, social awareness, relationship management.
- **moral leadership** is always “good” and “right” by ethical standards.
- **integrity leadership** is honesty, credibility, and consistency in putting values into action.
- **authentic leadership** activates positive psychological states to achieve self awareness and positive self regulation.
- **Drucker’s “old fashioned” leadership:** 3 essentials; (1) define and communicate a clear vision. (2) accept leadership as a responsibility not a rank. (3) keep your integrity: earn trust in others.

## Chapter 8 – Organization Structures and Design

- **organization structure** system of tasks, reporting relationships and communication linkages, structure must follow the strategy, structure should fit the environment.

**organization chart** describes the arrangement of work positions with an organization. **division of work** positions and titles show work responsibilities. **supervisory relationships** lines show who reports to whom. **communication channels** lines show formal communication flows. **major subunits** positions reporting to a common manager are shown. **levels of management** vertical layers of management are shown.

- **informal organization (informal structure)** is the set of unofficial relationships among an organization's members, a shadow organization made up of unofficial but often critical working relationships between organizational members.
- **social network analysis** identifies the informal structures and their embedded social relationships that are active in an organization. **advantages** allow people to make contact with others who can help them get things done, people work and interact together throughout the workday, source of emotional support and friendship that satisfy important social needs. **disadvantages** susceptible to rumour, carry inaccurate information, breed resistance to change, divert work efforts from important objectives, “outsiders” people who care left out of informed groupings.
- **departmentalization** aka specialization is the process of grouping people and jobs into work units.
- **functional structure** groups together people with similar skills who perform similar tasks. specialization consistent with professional training and clear career path.

- **functional chimneys problem** is a lack of communication and coordination across functions, narrow view of performance objectives, too many decisions referred upward to hierarchy.
- **divisional structure** groups together people working on the same product, in the similar area, with similar customers, or on the same process. **(+)** clear points of responsibility, easier to change size adding deleting divisions. **(-)** competition poor coordination across divisions.
- **matrix structure** combines functional and divisional approaches to emphasize project or program teams. The matrix organization has gained a strong foothold in the workplace with applications in such diverse settings as manufacturing, service industries, professional fields and the non profit sector. **Advantages** better cooperations across functions, improved decision making, problem solving takes place at the team level where the best information is available, increased flexibility in adding removing or changing operations to meet changing demands, better customer service there is always a program, product or project, manager informed and available to answer questions, better performance accountability through the program product or project managers, improved strategic management; top managers are freed from lower level problem solving to focus more time on strategic issues. **Disadvantages** two-boss system is susceptible to power struggles, two-boss system creates task confusion and conflict work priorities, meetings can take a lot of time, teams may develop “groupitis” strong team loyalties that cause a loss of focus on larger organization goals, adding team headers can result in higher costs.
- **cross-functional team** brings together members from different functional departments.
- **project teams** are convened for a particular task or project and disband once it is completed.
- **advantages of team structures:** team assignments breakdown barriers between departments as people from different parts of an organization get to know one another, boost morale; people working in teams often experience a greater sense of involvement and identification. **disadvantages of team structures:** spend a lot of time in meetings, quality of interpersonal relations, group dynamics and team management.
- network structure uses information technologies to link with networks of outside suppliers and service contractors.
- only keep core activities internal, strategic alliance, outsourcing.
- **advantages of network structures:** can operate with fewer full time employees and less complex internal systems, reduced overhead and increased operating efficiency, easy to manage these contracts and business alliances even across great distances. **disadvantages of network structures:** control and coordinate the network of contracts and alliances, lose control over activities contracted out, lack of loyalty among contractors, some worry about outsourcing.
- **boundaryless organization** eliminates internal boundaries among subsystems and external boundaries with external environment, combination of the team and network structures just described with the addition of “temporariness”, internal to the boundaryless organization teamwork and communication.
- **organizational design** is the process of creating structures that accomplish mission and objectives.
- bureaucracy emphasizes formal authority, order, fairness and efficiency.
- **mechanistic design** is centralized, with many rules and procedures a clear cut division of labor, narrow spans of control and formal coordination.
- **organic design** is decentralized with fewer rules and procedures, open divisions of labour wide spans of control and more personal coordination.

- **adaptive organization** operates with a minimum of bureaucratic features and encourages worker empowerment and teamwork.
- **span of control** is the number of subordinates directly reporting to a manager.
- **tall structures** have narrow spans of control and many levels of management. tall organizations have more managers they are more costly than flatter ones.
- **delegation** is the process of distributing and entrusting work to other persons. three steps:  
(1) assign responsibility; explain tasks and expectations. (2) grant authority; allow others to make decisions and act. (3) create accountability; require others to report back on results, when delegating you must be confident and capable.