

“Five Steps of Entrepreneurial Decision Making”

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Abstracts:

Entrepreneurs and entrepreneurship are very popular topics for the researchers in almost everywhere in the world. Bangladeshi researchers are also not the exceptions. Over the years many studies have been done and many articles were published on these issues. The objective of this particular article is to find out the proper steps need to follow in entrepreneurial decision making. Through this article I have identified five major steps in entrepreneurial decision making and explanation of every steps also provided. At the end the steps are displayed by an diagram and the conclusion is drawn.

Key words: Entrepreneurship, entrepreneurial decision making, business planning.

Methodology:

To set out the purpose of preparing this paper information has been drawn from –

1. Journals of renewed researcher and academicians.
2. Books written on Small Business, Business and Entrepreneurship.
3. Research papers of well known academicians.

Introduction:

Entrepreneurship is one of the most discussed thing in the world because of its' increasing importance in the world where business is expanding its' branches day by day. The terms entrepreneurship and entrepreneur are very hard to define because it includes lots of things. Entrepreneurship involves taking risk, either to create a new business or to greatly change the scope and direction of an existing firm. Entrepreneurs typically are innovators who start companies to pursue their ideas a new product or service. They are visionaries who spot trends (*Gitman &*

Daniel, 2002). An entrepreneur is defined for this study as someone who responds affirmatively to the question “I am among those who initially established the business” (*Lazear, 2003*). But defining the entrepreneurship or the entrepreneur is not the main purpose of this paper. The main purpose is to give a broad overview of the steps to be followed to start a business or to start as an entrepreneur.

Objective:

The objective of preparing this report is to –

1. Find out the specific steps necessary to make an entrepreneurial and small business decision.
2. Proposed a specific model of entrepreneurial and small business decision making.
3. Enrich the reader’s knowledge about the entrepreneurial and small business decision making.

Steps of Entrepreneurial Decision Making:

There are lots of controversy about the steps and characteristics of an entrepreneur. Some urges that characteristics are the most important thing to be an entrepreneur. It is true, because in order to be an entrepreneur, a person must possess some characteristics. But exploring these characteristics and qualities to become an entrepreneur, is not an easy task. Because there is no certain guideline for being an entrepreneur. It cannot learn in school, college or in university. Moreover, entrepreneurs are likely to come from families in which parents sets high standard for their children’s’ performance, encourage habits of self reliance and avoid being strict disciplinarians (*Siropolis, 1998*). And become successful in the field of business or entrepreneur is not an easy task. But some steps can be followed to find out the appropriate business sector, which increase the chance of being a successful entrepreneur. The steps are discussed in as follows –

Step – 1: Personal Determination:

The first step in entrepreneurial decision making is the self assessment to determine whether you have the personal traits you need to succeed in business. Owning a business provides entrepreneurs the independence and the opportunities to achieve what is important to them, give the opportunity to use full potential and contribute to society. Again on the other side this choice have uncertainty in income and future, high risk, high level of stress, low quality of life at the beginning (*Zimmerer & Scarborough, 2005*). So deciding whether to go for it or not is one of the important factors. If anyone has decided about it then the next step will start for him/her.

Step – 2: Selecting Business:

The second step is selecting the business that the person wants to enter. The number of business may one or two or more. But the main question is what type of business should be selected? This question is very hard to answer. It varies from person to person. It depends on the personal attitude, for instance – a study shows that 41% choose to be entrepreneur to be his own boss, 16% choose for making money, 12% choose for creating something new, 9% choose for proving himself, 6% choose by dissatisfied with job (*Gitman & Daniel, 2002, page – 173*). And from other side it also depends on the environment in which the business is going to operate, for example – luxury product business is not so much suitable for village side but it is quiet suitable in the city or town. But first it should be determined about the business. It is better if the number of business selected is more than one or two, because it will enhance the possibility of entering into the business. The better way to choice the business is to determine what type of business interest you most. If the business / businesses are interesting to you it will increase the chance of being successful in the business, you will learn quickly and can ran the business with customer satisfaction.

Step – 3: Analyzing the Possibility of Selected Business:

Now another important part is analyzing the viability or feasibility of selected options in various aspects. The first part is the social acceptance of the selected business. The success of the business, especially small business as the most of the entrepreneurs are start with small business, vastly depend on the social acceptance of such business. Another deciding factors are demographic trends or the age, race, ethnicity and location of the target customers. This trend is important because the basis for any market is people. Technology, the application of science and engineering skills and knowledge to solve production and organizational problems, is another deciding factor. Because it directly associated with production and operation process. Other deciding factors are economic system and laws and regulations etc. Last and the most important factor to be considered is financial aspect. Money required to start the selected business should be determined exclusively. By considering all of these factors, first the options should be ranked and then selecting the best option based on other factors, such as – personal choice, financial capabilities etc.

Step – 4: Planning:

The most important step in the entrepreneurial decision making is planning. The work of planning is basically mental. It requires thinking through logically (*Skinner & Houston, 2003*). A proper planning will reduce the stress and hazardous of managing a new business and act as a proper guideline for the future operation. This planning process is quite different from the planning of management process. This planning includes planning about operation, marketing, management and financing. The details of this planning are given below –

Operation Planning – This section will describes the product or services offers and find out its' unique features; explain why people will buy the product or service and available legal protection – patents, copyrights, trademarks and danger of technical. This part of the planning also explains the type of manufacturing or operating should be used; describes the facilities, labor, raw

materials and product processing requirements. This section should offer the following description; operating or manufacturing methods, operating facilities (location, space and equipment), quality controls methods, procedures to control inventory and operations, sources of supply and purchasing procedures (*Gitman & Daniel, 2002, page – 182*). If the business is not the manufacturing business some of the activities related to production will not present in this section.

Management Plan – this part will identify the key players – active investors, management team, and directors – citing the experience and competence they possess. This section should offer the following description; management team, outside investors, directors and their qualifications, outside resource people and their qualifications and plans for recruiting and training employees (*Gitman & Daniel, 2002, page – 182*).

Marketing Plan – in this step entrepreneur will painstakingly researched their markets and the marketing plan should be creative and productive. It describes how the entrepreneur plans to use his marketing tools – marketing channels, price, advertisement, personal selling, and sales promotion (*Siropolis, 1998, page - 103*). This section should also offer the following description; analysis of target market and profile of target customer, methods of identifying and attracting customers, selling approach, types of sales forces and distribution channels, types of sales promotion and advertising and credit and pricing policies (*Gitman & Daniel, 2002, page – 182*). But the marketing plan may differ sharply in some aspects between manufacturing organization and merchandising organization.

Financial Plan – A financial plan binds all the preceding steps by translating operating plans – production, marketing, management and all other plans related to the operations of the venture – into money. In other words, the financial plan is the monetary expression of the entrepreneur's operating plans (*Siropolis, 1998, page - 106*). This part of the plan should contain the following descriptions; projected financial statement for the next three or five years or as available including income statements, balance sheets, cash flow statements, and cash budgets; break even analysis of profit and cash flows and planned source of

financing (*Gitman & Daniel, 2002, page – 182*). It is the most important part of the planning as it is the financial indication of the business in future and set out the primary monetary target for the entrepreneurs. Another reason is that it includes source of financing for the business. And another thing is that all the part of the financial aspects should be backed by strong arguments.

Step – 5: Entering into the Business:

The last step of my process is to entering or starting the business. But this part includes another decision making process, because there are three process for entering into the business –

1. Starting a new business.
2. Buying an existing business.
3. Doing business under other (franchising).

All the three ways have advantages and disadvantages includes with them. The advantage of starting a new business is no longer need to discuss as it is already discussed in the starting of this paper. The advantages and disadvantage of the last two are discussed below –

Buying an Existing Business – advantages of buying an existing business includes – established infrastructure, goodwill, market share, skilled employees, suitable location, existing supply chain, no startup cost and legal facilities. But in the other way it may have legal binding, inefficient management, ill will, unsuitable location, old and out dated machinery, lower customer satisfaction etc. so in case of buying an existing business following steps should be followed –

1. Prepare a list of potential candidates.
2. Investigate the all candidate's problems and benefits and
3. Chose the best one.

Franchising – advantage of franchising includes – least costly, profit incentives, decision making authority, no legal restriction and easy to discontinue. But in other way it may have unlimited personal liabilities, limited skills and capabilities,

isolation, limited access to capital and lack of continuity. So in choosing of franchising the above mentioned three steps can be followed here also.

The whole process discussed above are presented in the following diagram



Conclusion:

In based on the above discussion it can be conclude that total entrepreneurial decision can be made by the above steps. Following these steps is not mandatory but following these steps chance of become successful will increase. Moreover this process will set a certain guidelines and standards for the entrepreneurs in the future. And it will help the entrepreneurs to analyze where he is and where he needs to go. So it is the total documentation procedure of all activates of the entrepreneurs.

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