

Chart Your Venture:

*understanding the different pathways of
entrepreneurs*

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The reasonable man (or woman) adapts himself (herself) to the world. The unreasonable man (or woman) persists in adapting the world to himself (herself). Therefore, all progress depends on unreasonable men (and women).

- George Bernard Shaw

The role of the entrepreneur is to stand up to all...to stand up to ridicule.

-Tom Peters

let's first get rid of the myths

- ~~98 percent of new ventures fail~~
- ~~entrepreneurs are born~~
- ~~it about writing and executing a business plan~~
- ~~you need a lot of money~~

... and each of these depends on the type of venture you are creating

how we think about entrepreneurship

“The process of creating value through unique resource combinations to exploit opportunities”

“The pursuit of opportunity without regard to resources controlled”

empowerment

to create your own job

to create your own identity

to create your own future

to create your own wealth

to create your own sense of pride and self-worth

to create your own identity

to create your own facilities and operations

to create jobs for others

to create your own contribution to the world

to create your own ability to give back

transformation

transforming oneself

transforming families

transforming communities

transforming markets

transforming business practices

transforming industries

transforming economies



the entrepreneurial revolution

- 1 million new ventures a year in U.S.
- 85% of the new jobs
- New product/service introduction rate
- New patent issuance rate
- Rate of wealth creation
- Women and minorities now lead the pack
- Over 70% of young people want one day to have their own ventures
- And it's a global revolution

the revolution...

It is an age of *omnipresent* entrepreneurship:
more choices, more innovation, more
technological advances, more change, more
opportunity, more possibilities

never a better time than now!!!

Entrepreneurs are the heroes---they make the world livable for everyone else

- they are the ones who question, who challenge
- they are the ones who take responsibility for change
- they are what the human spirit is all about
- they are the hope for a better life, the end of poverty, the destruction of discrimination---
- they are the quiet revolutionaries

*for entrepreneurship is the most **empowering**, the most **democratic**, the most **freedom-creating** phenomenon is the history of the human race*

Entrepreneurship as a process



the reality - entrepreneurship as a journey

- non-linear
 - chaotic
- trial and error – learning - feedback
 - not controllable
 - not predictable
 - emergent
- what you start out to create is not what gets created

given this ...

what do entrepreneurs actually create?

4 types of ventures

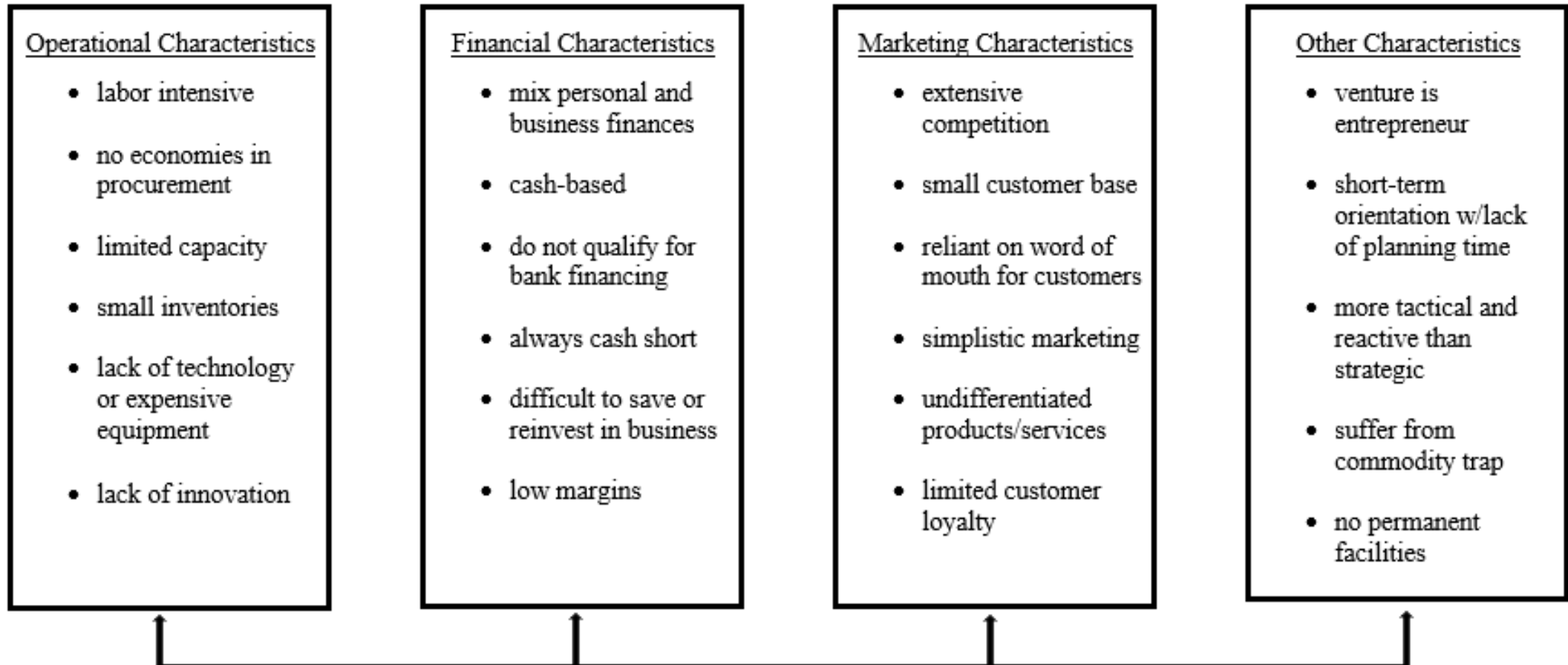
survival

lifestyle

managed growth

aggressive growth

the survivalist



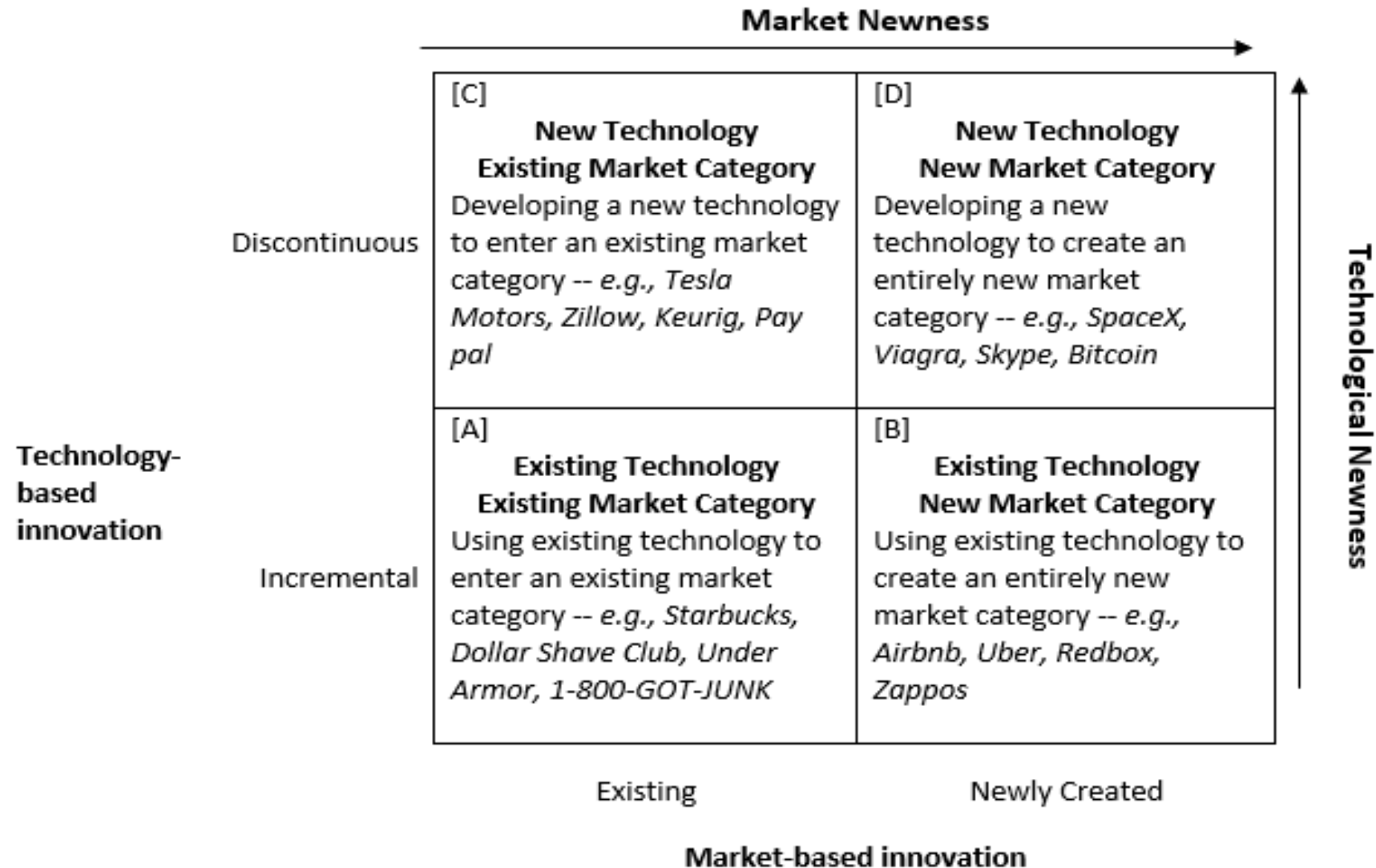
lifestyle venture



managed growth venture

<u>Usually Present</u>	<u>Frequently Present</u>	<u>Occasionally Present</u>
<ul style="list-style-type: none">controlled growth	<ul style="list-style-type: none">extensive competition	<ul style="list-style-type: none">major product innovation
<ul style="list-style-type: none">opportunity alertness	<ul style="list-style-type: none">process innovation	<ul style="list-style-type: none">equity financing
<ul style="list-style-type: none">strong cash flow pressures	<ul style="list-style-type: none">adaptable growth plan	<ul style="list-style-type: none">succession plan
<ul style="list-style-type: none">strategic adaptation	<ul style="list-style-type: none">limited intellectual property	<ul style="list-style-type: none">horizontal diversification
<ul style="list-style-type: none">process technologies	<ul style="list-style-type: none">family ownership	<ul style="list-style-type: none">vertical diversification
<ul style="list-style-type: none">professional managers	<ul style="list-style-type: none">some economies from size	<ul style="list-style-type: none">concentric diversification
<ul style="list-style-type: none">formal systems, processes / controls	<ul style="list-style-type: none">medium-term planning horizon	<ul style="list-style-type: none">strategic partnerships/ alliances
<ul style="list-style-type: none">product differentiation	<ul style="list-style-type: none">internal consistency among growth elements/directions for growth	<ul style="list-style-type: none">growth by acquisition
<ul style="list-style-type: none">new products, markets, and/or locations		<ul style="list-style-type: none">franchising on a limited regional basis
<ul style="list-style-type: none">local/regional market or operation in narrow niche in national / global markets	<ul style="list-style-type: none">proactive marketing and/or sales effortsdebt financing	
<ul style="list-style-type: none">strong brand and/or market identify		

aggressive growth venture



Clara's Cleaning

- operates from home; uses family members and casual labor when there are jobs to do; struggles to get jobs
- relies on word of mouth and fliers for promotion
- not well differentiated, competes on price
- owns mops, brooms and vacuum cleaner, may use customer equipment or rent other equipment if needed
- very basic technology (laptop, cell phone)

Survival

Main Street Commercial Cleaners

- single location- cleans offices and business facilities in local community
- uses social media, website, printed brochures, local networking for marketing
- solid local reputation, little other differentiation
- 15 employees, owns cleaning equipment to handle most tasks; industrial-grade equipment
- technology used in some business processes

Lifestyle

Bio-clean Medical & Health Specialists

- regional focus; sanitizes hospitals, health clinics, doctor's offices in 7 cities
- mix of formal tools to communicate and build relationships, tailored approach to different market segments
- unique brand identity in defined market niche
- 7-9 teams per location; maintain basic & more advanced equipment, supplies, materials
- direct impact of technology on how jobs performed and business operates

Managed Growth

Merry Maids

- international franchise company providing residential cleaning services
- employs sophisticated online and media marketing campaigns
- strong, well-differentiated international brand
- has over 8,000 employees cleaning more than 300,000 residences monthly
- technology used to coordinate global franchise network, run business processes, and design equipment & materials

Aggressive Growth

Four Types of Entrepreneurial Ventures

	Survival	Lifestyle	Managed Growth	Aggressive Growth
Annual growth rate	Nominal	< 5 percent	10–15 percent	> 20 percent
Time horizon	Day to day	Weekly and monthly operations	1–2 years	2–5 years
Management focus	Selling whatever I have	Maintenance of working business model	Incremental strategic growth	Scalability
Management style	Reactive	Tactical	Strategic	Strategic and proactive
Entrepreneurial orientation	Very low	Low	Moderate	High
Technology investment	None	Limited	Moderate	High
Liability of smallness	Significant	Significant	Less significant	Not significant
Source of finance	Self	Self, family and friends, bank	Self, family and friends, bank, private investors	Bank, private investors, venture capital firms, public markets
Exit approach	Shut down	Shut down, sell, transfer	Sell, merge, transfer	Sell, merge, go public
Management skills	Making, selling	Operational skills, basic management	Planning, strategizing, delegating, leveraging	Planning, innovation, cash flow management, negotiation
Structure	Little to none	Simple	Functional, centralized	Functional; product and market-based
Economic motives	Sustain oneself, one's family	Income substitution	Wealth creation	Wealth creation
Reward emphasis	Weekly income	Salary, bonus	Salary, performance incentives, equity	Equity, capital gain

properties

- ❑ not a continuum – these are discrete types
- ❑ difficult to move from one type to another
- ❑ path dependent
- ❑ as we move to the right, it gets more unlikely / far more difficult
- ❑ entrepreneur's identity develops based on venture type

why does it matter?

- ✓ **Success** is defined differently based on what you are trying to create
- ✓ Early decisions create **path dependency**
- ✓ Fit between your **skills** and venture types
- ✓ Fit between your **motivation** and **time horizon** and venture types
- ✓ Fit between **need for control** and **independence** and venture types
- ✓ Fit between your **resources** and venture types

why does it matter?

manage your **expectations**

- where you get **funding** and how much
- the **cash flow pressures** you will encounter
- the **financial returns** you are likely to receive, how, and when
- the **risk and stress** to which you are exposed
- the kinds of **systems and controls** you will require

why else does it matter?

- These ventures play different roles in society
- Source of job creation (80 % of net new job creation from aggressive growth)
- Source of innovation (most of it comes from aggressive growth)
- Source of stability (survival and lifestyle = almost 50 percent of existing jobs)
- Embeddedness in the community
- Think of it as a **portfolio of ventures** from economic development standpoint

Urban Poverty and Business Initiative (UPBI)

10.5 month program annually – six components

South Bend and 45 other cities

Low income and disadvantaged entrepreneurs (70 each year in South Bend)

Unique stepwise methodology and approach

The World Cup – 13 cities

We would welcome you as mentors