

principles of Entrepreneurship

>>>> 16. The Strengths of Small Business

Any entrepreneur who is contemplating a new venture should examine the strengths of small businesses as compared to large ones and make the most of those competitive advantages. With careful planning, an entrepreneur can lessen the advantages of the large business vis-à-vis his operation and thereby increase his chances for success.

The strengths of large businesses are well documented. They have greater financial resources than small firms and therefore can offer a full product line and invest in product development and marketing. They benefit from economies of scale because they manufacture large quantities of products, resulting in lower costs and potentially lower prices. Many large firms have the credibility that a well-known name provides and the support of a large organization.

How can a small firm possibly compete?

In general, small start-up firms have greater flexibility than larger firms and the capacity to respond promptly to industry or community developments. They are able to innovate and create new products and services more rapidly and creatively than larger companies that are mired in bureaucracy. Whether reacting to changes in fashion, demographics, or a competitor's advertising, a small firm usually can make decisions in days - not months or years.

A small firm has the ability to modify its products or services in response to unique customer needs. The average entrepreneur or manager of a small business knows his customer base far better than one in a large company. If a modification in the products or services offered — or even the business's hours of operation — would better serve the customers, it is possible for a small firm to make changes. Customers can even have a role in product development.

Another strength comes from the involvement of highly skilled personnel in all aspects of a start-up business. In particular, start-ups benefit from having senior partners or managers working on tasks below their highest skill level. For example, when entrepreneur William J. Stolze helped start RF Communications in 1961 in Rochester, New York, three of the founders came from the huge corporation General Dynamics, where they held senior marketing and engineering positions. In the new venture, the marketing expert had the title "president" but actually worked to get orders. The senior engineers were no longer supervisors; instead, they were designing products. As Stolze said in his book *Start Up*, "In most start-ups that I know of, the key managers have stepped back from much more responsible positions in larger companies, and this gives the new company an immense competitive advantage."

Another strength of a start-up is that the people involved — the entrepreneur, any partners, advisers, employees, or even family members — have a passionate, almost compulsive, desire to succeed. This makes them work harder and better.

Finally, many small businesses and start-up ventures have an intangible quality that comes from people who are fully engaged and doing what they want to do. This is "the entrepreneurial spirit," the atmosphere of fun and excitement that is generated when people work together to create an opportunity for greater success than is otherwise available. This can attract workers and inspire them to do their best.