

The Age of the New Entrepreneur: The Case Study Approach to 7 Principles for Boosting PROFITS, Priorities/ROI Decision Matrix and Business Reality Change Model

Rosalie Lober, Nova Southeastern University

Thomas Tworoger, Nova Southeastern University

J. Preston Jones, Nova Southeastern University

Students apply the 7 PROFITS Principles, the Priorities/ROI Decision Matrix and the Business Reality Change Model to three business cases with various capital structures. These principles and tools guide entrepreneurs to transform their business to the next level of success and profitability by exploiting practical solutions adopted by Fortune 100 companies. Instructors introduce students to the principles and tools and then assign teams of students to work on the cases. Students play the role of the company's entrepreneur in making long term profitable decisions and to avoid self-defeating patterns.

According to the U.S. Government Small Business Office of Advocacy, there are approximately 25.8 million small business enterprises in the United States with approximately 10.6 million enterprises owned by women, 37 million baby boomers, former corporate employees, small manufacturers, service providers and future Generation X and Y entrepreneurs. In 2002, there were 22.9 million small businesses providing 75 percent of new jobs in the economy. Small business entrepreneurial endeavors represent 99.7 percent of all employers and 97 percent of all US exporters (Small Business Administration, 2006).

Demands on entrepreneurs appear to be greater now than at other times in the history of business. Customers can be increasingly demanding and fickle in their changing desires, better educated and more sophisticated than previously. Global competition, decreasing product life cycles, new and innovative technology and creative strategic alliances threaten even the most established businesses. Superstores with one-stop shopping supplant quality and customer service for the harried consumer. Conquering the challenges of leadership, structuring and understanding the capital and commodity markets and dealing with ambiguity separate the winners and losers. There is a new emphasis for entrepreneurs to be change leaders who can influence and mobilize stakeholders, both in and out of their business. They adapt to changing strategies based on demands for flexibility, requirements for innovation and provisions for strategic partnering. The fittest entrepreneurs who are willing to innovate and take risks will be the survivors.

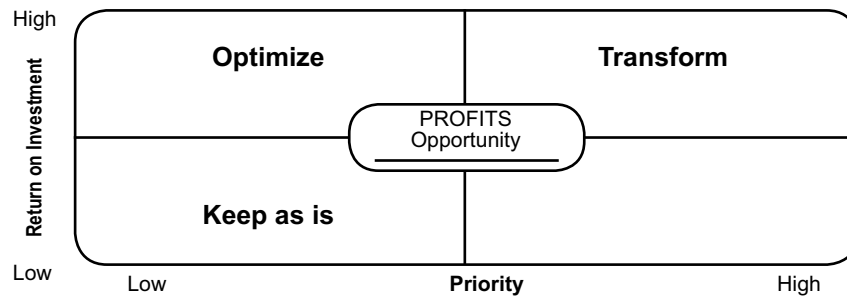
Today, it appears that entrepreneurs must balance the day-to-day tactical operations with the larger strategic issues of vision and building customer relationships. Delegating responsibilities, building a leadership base and focusing on employee accountability, all very quickly, result in today's entrepreneurial pressures.

Students apply the 7 PROFITS Principles, Priorities/ROI Decision Matrix and the Business Reality Change Model (Lober, 2009) to the case studies. These principles provides entrepreneurs with a systematic approach to making solid decisions that incorporate strategy, tactics and key conclusions, ensuring the most promising opportunities and turning them into profitable ventures. Students can apply the principles, matrix and model CEOs of Q Products Inc., Aguru Images and K2M to illustrate effective use of the model. Each CEO faced different challenges and opportunities.

Key Assumptions Provide Context for the Priorities/ROI Decision Matrix and Business Reality Change Model (BRCM)

The authors suggest the following key assumptions for effectively using both decision-making models:

- Balance stability and change to avoid unnecessary chaos.
- Accept that your people may have difficulty moving beyond an internal focus.
- People overestimate the capabilities of their own company.
- Challenges and goals are like dynamic, living organisms.
- Learning is continuous.



The Business Reality Change Model is an iterative process. The BRCM is a process that is non-linear and requires continuous adjustment based on new information becoming available. As new information is discovered, the information is incorporated into the already existing framework. Many times, this information will challenge hypotheses and direction for solving the problem or approaching an opportunity. By first using the ROI/Priorities Decision Matrix, the entrepreneur may first plot some of the 'top of mind' options and fine tune their choices using the Business Reality Change Model.

Clarity and focus, the hallmark of both the graph and the model will enable the new entrepreneur to make wiser, targeted and faster decisions with an emphasis on growth and profitability in their markets. This matrix helps one move beyond the first instincts and guides to the most pressing problem or greatest opportunity.

Not all problems require the same investment of time and money. For example, a product line may be losing market share. Should you invest more money in this product or leave it 'as is', or even liquidate the product to use the money elsewhere? The answer depends on what else is happening in the business. Another product may be selling well, generating high margins and projecting a continuous high revenue stream for the next few years. Further investment in the successful product may be a better alternative than adding money to a declining product.

ROI/Priorities Decision Matrix

The ROI/Priorities Decision Matrix keeps the focus: Invest in transforming changes to the business that are both high priority and provide a high return on investments. As a result of the ROI/Priorities Decision Matrix, the new entrepreneur, striving to boost business to its maximum profit potential will become focused on the intersection of what is most profitable for the customer and what is most profitable for their business. The decision matrix systematically identifies strategic opportunities for taking action.

Some of these opportunities are: Do nothing and keep as is, hire a consulting company to do the work, hire more staff, add missing capability (buy or develop it), obtain financing, merge with another company, acquire another company, outsource the function needed, sell the company and form strategic alliances with other companies.

There is less risk for a business when it has systematically evaluated its priorities and the probable returns on investment with the ROI/Priorities Decision Matrix. The axes of the matrix are Priorities and Return on Investment.

Priorities

Priorities options (investment options) must lead to creation of customer value. The questions to ask when plotting the priorities axis are:

- How will this change benefit the customer?
- How does the entrepreneur know this?

The priorities selected may result in a strategic change in direction or operational actions resulting in more efficient processes that produce greater margins and/or pricing adjustments.

Return on Investment

The project actions plotted on this axis may result in financial, people, time and other return on investments. The four quadrants of the matrix represent options for actions to take right now. Prior to taking action, the BRCM is recommended (see below). The quadrants of the matrix provide information for return on investment (high or low) and priority (high or low) for each possible option and subsequent actions. The four quadrants are:

- **Keep As Is.** A business is running well with no pressing problems may choose to remain at the current level of profitability and not make changes to grow the business. If assigned to this quadrant, it may be wise to challenge if the business is becoming complacent. Are opportunities missed to create greater customer value? The key learning is not to drift into the “Keep As Is” mode of operating.
- **Optimize.** When profitability is the result of efficient and effective operations, then return on investment is high and there is low priority to change at this time. The message of this quadrant is to ‘keep your eye on the ball’ and manage the current situation well. Optimize actions by ensuring continuous efficiency and improvement. Keep abreast of market trends and changes to avoid complacency and have a clear frame of reference and time frame.
- **Act Quickly.** Within this quadrant, a business faces immediate threat from within or from outside market forces. If a business misses the opportunity to act quickly, it may never recoup revenue or market share lost to the threat. Threats can be new entrants or competitors that emerge in the market with a superior solution or unanticipated expenses that may reduce the funds available to address the threat. Threats may include a key employee may leave, sales may fall, misreading the market or unexpected customer market changes may occur. There may also be changes in government regulations to address. Though the return on investment for changes required to meet any of these threats may be low, failure to change may result in a big loss. It is important to stay aware.
- **Transform.** A solution in this quadrant requires a dramatic strategic shift. Return on investment is high when the solution is effective. Action is a high priority because to remain a key player in the marketplace, there must be change. Balancing risks is essential. A business must have the core capabilities for changing right now. If not, the transformation may be too disruptive for employees. There may not be sufficient funding commitments either. However, with this matrix, the entrepreneur knows that a dramatic shift is important for the company’s future. This matrix becomes the roadmap for a company to take the actions required to ‘get prepared’ and position the company for the transformation as quickly as possible.

Circumstances can change quickly. Focusing on one quadrant can affect another quadrant and the marketplace can shift in a matter of weeks or months. The decision-matrix exercise is best utilized every three months. Criteria for business priorities and return on investment may also change over time.

Business Reality Change Model

The Business Change Reality Model consists of three essential phases that underscore the critical thinking required for excelling at problem solving and decision-making. Though there are similarities to other models, the Business Change Reality Model is unique in its emphasis on linkage, alignment and integration of every phase. The phases are the following:

PROFITS Principles Analysis – What is happening and why? What are the conclusions of the analysis? The analysis requires at least one key objective, which addresses the question, what are the expected outcomes? As with most well designed plans, at least one strategy is developed. How should the objective be met and what approach is taken? Every good strategy calls for a plan. What are the details for the plan?

The next phase is executing the plan. What actions make it happen? Monitoring progress and critical measures assess and evaluate success. What milestones are important as the analysis and project move forward? What selection of measurement criteria lead to successful results?

LITERATURE REVIEW

Though businesses continuously evolve, the current demand for entrepreneurs to radically adapt occurred when the dot-com bubble burst. With new precedence, the ability to speedily synthesize surplus information and to arrive at mission critical decisions intelligently became criteria for success or failure. Global connectivity became a commodity. The tipping point (Gladwell, 2002) for this world-wide connectivity arrived with the superabundance of global fiber optic cable networks. A computer and capability to connect to the internet gave equal access to information quickly and easily for all across the globe.

Additionally, the ‘free agent generation’ coined in the late 1990’s (Pink, 1998) chronicles a multitude of people,

many previously employed in traditional work settings who now look for work that is profitable, feasible and structured with variety and alternative work arrangements. Today, opportunities abound for those who want to expand businesses into the emerging markets, for those with mental and physical challenges that public workplaces may view as a liability and for those who start businesses with extremely limited resources. Businesses can outsource just about anything. Big companies can act small and small companies can act big.

However, there is a downside to so many choices. “We have to sort out what to keep, what to discard, what to adapt, what to adopt, where to redouble our efforts and where to intensify our focus” (Friedman, 2006). The implication is that unless we do this well and fast, we will fall behind. With more options coupled with the need for fast decision making, it is difficult to catch up once you fall behind. Most businesses are moving as fast as they can to merely keep up and for many, there may be trouble ahead. The ability to take bold action with urgency, while maintaining strategic flexibility within a realistic context has never been more important.

Results of studies emphasize that entrepreneurs are motivated by independence and intrinsic factors. These include creating a job for themselves, increasing their income opportunities, being one’s own boss, controlling one’s own destiny, growing and achieving (Bowen, 2009) along with defining and living a commitment to a high standard of excellence (Fahed-Sreih, 2009).

The process of entrepreneurship today has been defined as managerial behavior that consistently exploits opportunities to deliver results that seem to be beyond one’s own capabilities. Today’s entrepreneur is a change leader spearheading progressive strategies to capitalize on competitive advantages fueled by innovation, technology and the emergence of the global marketplace (Charan, 2008).

There are several studies on business failures that provide lessons for entrepreneurs to learn about opportunities missed of less fortunate colleagues. Some of the pitfalls cited are denying reality and not recession proofing their business (Berson, 2009). Entrepreneurs tend to be optimistic and action oriented, many times denying warning signals. Entrepreneurs are individuals that sometimes are overly optimistic with unrealistic “desired expectations” (Carland, 1996; Massa & Testa, 2007). They suggest the premature use of joint alliances, acquisitions and other ventures to maintain competitive advantage to respond to rapidly changing environments without adequate ability to manage the people and design issues that ensure success.

‘Hunkering down’ and going into survival mode may not be appealing to action oriented entrepreneurs. However, taking the time to re-engineer processes (Hammer & Champy, 1993), shoring up your business finances and operations by re-evaluating every part of the business plan including contracts, suppliers and customers (Fried, 2009; Berson, 2009) helps entrepreneurs deal with changes in availability of capital and changes in laws and regulations that can change the net worth of a company. Many times the entrepreneur does not relinquish authority over functions that can be delegated to others (McGarvey, 1998) because they have their own vision for how the work should be done. However, this takes time and energy from developing strategy and future positioning of the company. It is not always easy for entrepreneurs to work on teams.

Clute and Garman (1980) examined reasons firms fail. They studied the effects of federal policy on businesses including variations in the money supply, the volume of bank loans and changes in interest rates. They concluded that two of the variables (money supply and bank loans) have an inverse, lagged relationship with the business failure rate. It is essential that entrepreneurs make informed financial decisions. When entrepreneurs perceive themselves as marketing and sales or product and engineering specialists, many times they believe they can delegate financial decisions.

Modifying marketing strategy can maintain or improve sales, market share and profitability (Köksal & Özgül, 2007). A lack of attention to ‘market orientation’, such as identifying customer needs, wants, aspirations and delivering offerings that are competitively better than rival firms (Blankson, Motwani & Levenburg, 2006) is another shortcoming that leads to failure. Avoiding failure means balancing external and internal focus with the correct emphasis on strategy and tactics. The balance between tactics and strategy is a major issue for many entrepreneurs. «Strategy without tactics is the slowest route to victory. Tactics without strategy is the noise before defeat”, (Sun Tzu, Chinese General, 500 B.C.). When one is tactical, it appears that work is taking place. This proposes a question: What is productive or merely ‘rat in the maze’ activity?

Studies including *The Stitch House: A Case of Entrepreneurial Failure* (Kampschroeder, Ludwig, Murray, Padmanabhan, 2008) and *Looking Before Leaping* (Leaptrott, McDonald, 2008) highlight characteristics of poor decision-making on business success and failure. How can today’s entrepreneur enhance the decision making skills for optimal success?

Below are the details for each phase of the Business Reality Change Model, followed by three case studies. We apply the Business Change Reality model to the following three different capital structured business models:

- Q Products Inc.: \$3 million condiments company (private investment funding).
- Aguru Images: \$5 million company offering realistic representations of human facial characteristics for visual effects in the film, gaming, computer and industrial markets (private equity, technology transfer, university funds).
- KM2 Solutions: \$20 million company providing customer service, collections and call center operations (owner owned).

A problem/opportunity question addresses a critical business issue. The question initiates an intensive analysis of the market, customers and company. If it is ambiguous or incorrectly focused, this problem/opportunity question will not be relevant and/or actionable.

Examples of problem/opportunity questions are: how can we increase market share in the X product line in X timeframe and how can we enter the X market within X months?

The frame of reference is one of the most important features of a problem statement. It is overlooked frequently. The frame of reference is essential to provide boundaries for the analysis. The frame of reference of a particular market, industry, location or product and includes a time frame.

PROFITS Principles Analysis

PROFITS Principles Analysis is the heart of the process. The first step of the analysis is to gather both external and internal vital information. This process is iterative, and information is tested and revised often to make sure it links to the problem statement and frame of reference. Linkage is critical.

External Analysis includes significant information beyond direct control, such as the environment for the industry and business, the competition, customers, and end-users (the customer's customers). It may include size of market, targeted segments, current and future trends, growth, relevant historical influences on present circumstances and legal and government considerations. It may also include demographic changes and trends in financial markets along with global, industry, cyclical and profitability considerations. A summary statement of the most important key conclusions from this analysis is written to address the problem statement.

Additional information should be investigated. What do you know about the competition? Who is the competition? Where do they compete? Are there recent entrants to the industry? What are competitors' strengths and weaknesses? How do competitors respond to change? How do they differ from other competitors? Do they provide the same services for your customers as you do?

Who are your customers? Why do they need your product or service? What else do they buy? What is important in their lives and how does it affect their relationship with your company? Think about other customers in the chain, especially those who may buy from your customers. How well do you understand what motivates them? What do trends indicate about potential new customers?

Internal Analysis is the review of internal processes and systems that include operations, human resources (policies, compensation, training, development, recruitment, selection, succession planning), logistics, (distribution and transportation systems), product development, financial systems, product building, marketing (promotions, advertising) and sales.

What are the systems' strengths and weaknesses? How effective are the processes and systems in helping complete tasks on time and within budget? Do they help accomplish specific goals? Does the company have available financial liquidity and working capital? What are the constraints? What is the debt-to-equity ratio? How do financial ratios interrelate? What does it cost to produce each product? How do material and labor costs affect the value chain? What are the opportunity costs of various projects, including breakeven analysis, payback period and net present value? How do these things affect your profitability over the duration of your frame of reference? What combinations of financial measures (such as performance against goals to increase margins, inventory turn or cash by lowering operational costs) affect profits?

How do operations, sales, marketing, human resources, technology, research and development interact? Consider plant locations, machinery, distribution, production capacity, warehousing, materials, purchasing, logistics, packaging, and other relevant value chain components.

Marketing analysis includes demographics, segmentation, brand management, pricing, advertising and public relations, media, promotions, market research.

Technology may include engineering, database and computer software, and the capacity to innovate.

Human resources are accountable for organizational structure and culture including how people work together individually and in teams. This consists of assessments of capability and talent, employee census and company policies.

Sales analysis includes information about the sales organization, including size of the sales force, strength of customer relationships, expectations of the sales force, sales training, forecasting and selling patterns across your frame of reference.

Summarizing the Analysis

Chart internal Strengths and Weaknesses and external Opportunities and Threats (SWOT analysis). It is critical to take SWOT information directly from the external and internal analysis and that all the data link directly to the problem statement. The Business Reality Change Model derives its power from the connections among its components. It is also useful to do a SWOT analysis for each of the key competitors. This competitor analysis will highlight critical vulnerabilities. Summarize the SWOT analysis. The components of the summary are the following:

- Limitations resulting from threats and weaknesses must be addressed. Strategies and plans are designed to remedy them.
- Horsepower includes those strengths and opportunities that help build the business. These address how to maximize the opportunity.
- Sustainable Competitive Advantage is unique to the company and is the basis for long-term profitability. It should be the primary focus for your next steps.

CASE STUDIES

Q Products, Jonathan Soares, CEO

Q Products was founded in 2005 when Jonathan Soares decided to market his mother's homemade Original Honey BBQ Sauce recipe and developed the Hickory Teriyaki and Spicy Cajun flavors. In May of 2005 when Jonathan was 20 years old, he invested all of his \$10,000 in savings and started Q Products which marketed Jonathan's Q™ All Natural BBQ Sauces.

Jonathan and Q Products represent the new entrepreneur. With his passion and ambition, Jonathan exemplifies new independent thinking. He designed a fully outsourced business model, built upon relationships and social media. At the same time, Jonathan blends these attributes with a conservative style of operating his business. The company is financially independent and returns all profits back into the business.

When CEO Jonathan Soares plotted opportunities on the Priorities/ROI Decision Matrix, he found the opportunity for growth in the Southeast region of the United States, in the Act Quickly quadrant.

Using the Business Reality Change Model, Jonathan found the following key conclusions that link to and support his problem statement, frame of reference, external and internal analyses.

His opportunity statement became: Q Products: How can we grow in the Southeast region within the next three months? Jonathan wanted to grow Q Product's bottom line for revenues and top line growth for stability, based on consistent pricing, excellent customer service and quality products. At that time, the company enjoyed revenues of \$2 million and increased placement penetration three-fold, transitioning from 1500 - 4500 stores primarily as a result of Q Products' new manufacturing partner. Q Products increases opportunities through promotion and public relations. The condiment/BBQ sauce category is growing 3 - 5% per year as people are purchasing more at the grocery store and going out to eat less often.

The external analysis supports the following key conclusions: Q Products anticipates growing the Southeast region with the potential for penetrating 1500 new stores with revenues between \$500,000 and \$750,000 within three months (in a \$351 million market, with 69% mainstream BBQ sauce products (10 brands), 10% private label and 21% premium brands). As groceries are losing margin, Q Products' principle strategy is to build relationships with customers and consumers using social media (e.g., YouTube, Facebook, Twitter).

Key findings based on the internal analysis demonstrate strong capital infrastructure based on \$10,000 seed money with no external funding has provided stability within the company including validation of a fully outsourced business model, cost efficiencies and independence with 20% profitability. Jonathan is looking for new manufacturing partners to increase efficiencies by utilizing distribution, warehousing and logistics of the new partners. Additionally, he plans to decrease pricing by 10% or greater, particularly in the Southeast in the short term. The outsourcing model works well with additional support from an advisory board and an outside sales force.

The above analyses provide the information for the SWOT Analysis. Q Products' strengths are: cash on hand,

the knowledge and experience of the holding company advisory board and the new volume-centric model with a new manufacturing partner. Weaknesses include Jonathan being 'spread too thin' by coordinating all the outsourced functions and different company cultures without sales loyalty specifically to Q Products. Promotions and social networking are essential marketing opportunities and the main threat to sales (in the Southeast) is customer loyalty to mainstream brands. Q Products also lacks some of the manufacturing efficiencies of competitors. However, Jonathan is rectifying this as he seeks a new manufacturing partner with greater capacity than Q Products currently has.

To win, Q Products must have a local following and presence in the Southeast (equal to local restaurants and other regional players) and generate volume, while also competing in selected mainstream venues (warehouse clubs, supermarkets). Q Products requires a stronger sustainable competitive advantage. The compelling reason to be in business and to address: Why must consumers buy Q Products BBQ sauce?

The next steps for Q Products include addressing the objective. What will success look like?

How will Jonathan generate volume in 4500 stores within the next 60 - 90 days in the Southeast, with revenues of \$750,000 based on manufacturing efficiency and through intense advertising, promotion and public relations?

Notice how this strategy links back to the problem statement and frame of reference and the key external and internal conclusions. Next, we review the strategies. Q Products must increase volume, build share, increase funding for marketing activities within 60 - 90 days.

Q Products requires plans for each strategy. These are the following questions: What needs to be done? Who is responsible? When/timing is it expected to be completed? What are the costs and resources required? The plans also need to link back to external/internal analysis and reconfirm the objective and strategic direction.

Aguru Images, Saul Orbach, COO

COO Saul Orbach describes himself as a problem solver with innate analytic ability, inexhaustible drive, persistence, highly competitive and self-confident. Saul worked diligently when the economic downturn was imminent to decrease Aguru Images debt. He sought other investors for funding and other companies with which to partner and/or create strategic alliances.

Aguru Images offers the first and only complete solution to capture and process all possible lighting conditions of real world textured surfaces for use in 3D computer generated imagery. The technology was discovered at New York University and the University of Southern California and later transferred with an initial funding by ANGLE Technology Ventures for commercialization. Applications for the technology include visual effects for film, computer and video games and industrial materials. At one time, this privately held company had revenues of approximately \$4 million.

As he looked at the possibilities on the Priorities/ROI Decision Matrix, particularly for the next three months, Saul and his board decided to focus more strategically and act quickly to find other companies with complementary applications and 'roll them up' to form one company, a one-stop shop for their customers in the fragmented visual effects industry. Based on the downward economy and a promising investor that did not close an expected deal, consolidation appeared to offer the best potential opportunity within the next few months.

Using the Business Reality Change Model, Saul summarized the following conclusions that link to and support his opportunity statement, frame of reference, external and internal analyses.

The opportunity statement became: Aguru Images: How can we find complementary companies to consolidate with within the next three months? During the process of discovering opportunities, another company presented the option of acquiring Aguru. The company that wanted to acquire them was not interested in the industrial products in Aguru's business model. Though this was not one of Aguru's initial considerations, Saul and the Board of Directors assessed the options again. Thus, the opportunity statement changed, as it should, since problem-solving is an iterative process. New information offers other possibilities and opportunities.

The external analysis offered important information. Aguru was in a recessionary economy and there were difficulties in the movie world (i.e., a prolonged writer's union strike and a similar strike threatened by the actors' guild). Furthermore, the visual effects market had no financial analysts to determine the size of the market and investment money was scarce. On the upside, there were no competitors and Aguru's management team had good knowledge of Hollywood's customers.

The conclusions noted as a result of the internal analysis include top in-house talent with a Board of Directors represented by management from Pixar, Dreamworks, Microsoft, Adobe, NYU, University of Southern California and other industry notables. However, missing was a CEO with industry experience who could spur sales and shape the industry. With two synergistic but different industries, a bifurcated sale seemed imminent with two buyers and double work. Acting as their own investment bankers, Aguru could minimize sales related expenses.

The SWOT analysis, must utilize the conclusions of the external and internal assessment. Thus Aguru's strengths

included a strong management team and Board of Directors, an interested buyer for the visual effects film and gaming business, the ability to be its own investment banker and no threatening competition. Weaknesses highlighted a poor investment environment with no analysts paying attention to the visual effects market, capital structure relying heavily on debt and less on profitability in the higher revenue division. The greatest opportunity was to sell the business as quickly as possible.

To win, Aguru Images needed to find a buyer with sufficient capital to reduce Aguru debt and increase pricing that would in turn increase profitability without decreasing revenues.

Aguru Images sustainable competitive advantage was its state-of-the-art visual effects which is unique in both the entertainment and industrial arenas.

For Aguru Images to become more attractive to other buyers, they must have a more directed strategy in place for sales and marketing. Up until now, both these areas occurred organically, rather than by plan. If possible, Aguru should hire an interim CEO with a recent background in the entertainment side of the business to help increase profitability immediately and who can serve as a first adopter in developing strategies that clearly define and shape its industry with specific metrics and milestones.

KM2 – David Kreiss, CEO

A true entrepreneur, David Kreiss became disillusioned when working with private equity groups to structure deals with small companies for Citibank and American Express. David's experience led him to believe that private equity groups with their own financial models rarely joined strategic forces successfully with the management teams they funded. David observed much potential profitability left behind. Taking an opportunity to consult with AOL and then becoming their outsourced vendor for collections and customer care, David realized his entrepreneurial competencies as he built his own company. Today, David's fully self-funded company, KM2, based in the Caribbean, with projected revenue of \$20 million in 2010, serves the world's largest companies in customer care (previously known as call centers) and billing collections.

David Kreiss utilizes the Priorities/ROI Decision Matrix and the Business Change Reality Model. His success appears to be directly related to his ability to incorporate the comprehensive perspective for his business. Earlier it was stated that the new entrepreneur blends the characteristics of a new way of thinking that incorporates alternative and creative business models, speed and flexibility. A successful 'new' entrepreneur melds this new way of thinking with business models from the past. David's experience at Fortune 100 companies, Citibank and American Express, helped him learn the importance of continuously testing and revising his strategies.

The KM2 opportunity statement has always been the same, to grow a self-funded business by focusing on continuously improving error-free processes and excellent execution of deliverables.

For each frame of reference, the opportunity varies, yet the underlying opportunity statement is always consistent. As he looked at the possibilities on the Priorities/ROI Decision Matrix, for the next six months, David focused strategically and observed that the KM2 current situation fit best into the quadrant, Act Quickly. To, Act Quickly, KM2 will continue their current methods and standards of operation, yet on a greater scale. Using the Business Change Reality Model, David summarized the following key conclusions that link to and support his problem statement, frame of reference, and external and internal analyses. The current opportunity statement is: Grow KM2 to support the new client (confidential) with 600 new KM2 operators within six months.

The external analysis conclusions are the following: KM2 is now the premier customer care call center business in the world. Based in the Caribbean, it has many advantages over similar businesses in India and the Philippines. Their stable workforce has less than a 15% turnover. As compared with India and the Philippines where workers are educated and seek better opportunities quickly, those in the Caribbean appear happy to have jobs, take pride in their work and rarely leave the island. KM2 builds relationships with local governments and is incentivized for providing local employment opportunities.

Many workers in India and Philippines have difficulty with the English language, are frequently misunderstood by customers in the U.S. and are not familiar with the U.S. culture. Training in these areas is often inadequate. In contrast, people in the Caribbean, primarily in the service and hospitality industry and catering to English speaking Americans, can speak English beautifully. They are almost always well received by U.S. customers. KM2 brings in U.S. workers to train and work alongside their Caribbean counterparts and to integrate them into the company culture and norms. KM2 feeds their inbound calls to other island facilities through a sophisticated infrastructure that is much advanced compared to competitors. This infrastructure includes T-1 lines, which move data at a high rate of speed at low cost. Internal analysis conclusions include excellent operational processes that are modeled after Fortune 100 companies. KM2 requires its managers to work in the Caribbean and train local employees. It participates in government and local community building which strengthen relationships and provide incentives

to the KM2 business because it is perceived as a socially responsible company. KM2 has the capability to transfer sufficient U.S. workers to train approximately 600 island workers within the next six months.

The SWOT analysis utilizes analyses and conclusions of the external and internal assessment. Thus KM2's strengths include a strong management team with a local presence, U.S. client company acceptance of the Caribbean workers in the customer care and call centers, KM2 strong government relationships and self-funding. Weaknesses are minimal. There are few threats. Though barriers of entry are low, as the first adopter, KM2 is far ahead of any company that may decide to conduct business in the Caribbean, both in terms of local presence and sophistication of processes.

To win, KM2 must maintain its current level of operational business and people excellence in its work execution. KM2 must be able to do this as they scale up within the next six months and bring approximately 600 new workers on board.

CONCLUSIONS

Today's entrepreneur incorporates new business models with outsourced and strategic alliances, technological savvy using the Internet and extensive databases and unprecedented speed in decision making. They must learn from mistakes of the past and build strong customer and stakeholder relationships.

The 7 PROFITS Principles, the Priorities/ROI Decision Matrix and the Business Change Reality Model offers the entrepreneur an integrated, systematic and comprehensive critical thinking tool for making realistic choices for both problems and opportunities. The key message is to have a well-integrated business where all company functions linking efficiently and effectively in profitable economic times and downturns.

Though focused integration is vital for all companies, it especially has critical implications for companies that seek funding, especially those requiring additional capital. Typically, investors want to take only calculated risks. When something appears lacking integration, whether it is technology, people or marketing strategy, investors will decline the opportunity. In the article, Capitalism to the Rescue - Green Tech Rising (New York Times: October 5, 2008), an interview with venture capitalists makes it extremely clear. The well-integrated company both justifies its actions and demonstrates the ability to focus, organize and execute the business vision.

This paper gives students an opportunity to apply the principles to the case studies where they can practice the role of the entrepreneur to make long term profitable decisions

Future Research

Future research could result in a longitudinal study of the three cases presented. How successful were the decisions as viewed two years from now. Were the companies flexible in the ever changing environment? Have the achieved long run profitable sustainability?

REFERENCES

- Berson, S. (2009). Recession-proof your Practice. **ABA Journal**, January: 1.
- Blankson, C., Motwani, J., & Levenburg, N. 2006. Understanding the patterns of market orientation among small businesses. **Marketing Intelligence & Planning**, 24: 572-590.
- Bowen, M. 2009. **Heart entrepreneurs: An assessment of their training, motivations and problems**. Global Entrepreneurship Monitor - Global Report.
- Carland, J., Carland, J., & Stewart, W. 1996. Seeing what's not there: The enigma of entrepreneurship. **Journal of Small Business Strategy**, 7: 1-20.
- Charan, R., & Lafley, A. 2008. **The game-changer: How you can drive revenue and profit growth with innovation**. Crown Business.
- Clute, R., & Garman, G. 1980. The effect of U.S. economic policies on the rate of business failure. **American Journal of Small Business**, 5: 6-12.

- Fahed-Sreih, J. 2009. **Leadership in small business: The importance of the need for achievement as a motive in predicting success of owner-managers of small businesses**. Lebanese American University, Allied Academies International Conference.
- Fried, C. 2009. The would-be entrepreneur's handbook. **Money**, 38: 91.
- Friedman, T. 2006. **The world is flat**. New York: Farrar, Straus & Giroux.
- Gladwell, M. 2002. **The tipping point: How little things can make a big difference**. Boston: Back Bay Books.
- Hammer, M., & Champy, J. 1993. **Reengineering the corporation: A manifesto for business revolution**. New York: Harper Business Books.
- Kampschroeder, K., Ludwig, N., Murray, M., Padmanabhan, P. 2008. The stitch house: A case of entrepreneurial failure. **Journal of the International Academy for Case Studies**, April: 1.
- Köksal, M., & Özgül, E. 2007. The relationship between marketing strategies and performance in an economic crisis. **Marketing Intelligence & Planning**, 25: 326- 342.
- Leaptrott, J., & McDonald, J. 2008. Looking before leaping: The effect of owner decisiveness on small business performance. **Academy of Entrepreneurship Journal**, 14: 1-12.
- Lober R. 2009. **Run your business like a fortune 100: 7 principles for boosting PROFITS**. New York: John Wiley & Sons.
- Massa, S., & Testa, S. 2008. Innovation and SMEs: Misaligned perspectives and goals among entrepreneurs, academics and policy makers. **Technovation**, 28: 393-407.
- McGarvey, R. 1998. Ready, set delegate!: Handing our tasks is the key to growing your business. **Entrepreneur**, 26: 77-79.
- Pink, D. 2002. Free agent nation: The future of working for yourself: **Business Plus**, 1st ed.
- Small Business Administration**. 2006. U.S. Government Small Business Office of Advocacy.
- Stangler, D. 2009. **The coming entrepreneurship boom**. Kaufman Foundation Study.
- Sun T. 1983. **The art of war**, Edited by James Clavell, Reprint edition. New York: Delacorte Press.

Rosalie Lober is an associate professor of doctoral psychology at Carlos Albizu University and adjunct professor at Nova Southeastern University. She received her Ph.D. in applied Psychology, specializing in human resource management and organizational development at New York University. She has published *Run Your Business Like a Fortune 100: 7 Principles for Boosting PROFITS* (John Wiley & Sons, 2009). Her forthcoming book is: *Deliverance: From the Valley of Death to Sustainable PROFITS in Bioenergy*.

Thomas Tworoger is an associate professor and chair of the entrepreneurship department at Nova Southeastern University. He received his DBA at Nova Southeastern University. His current research interests include entrepreneurship, microfinance, and leadership. He has published in *Journal of Leadership & Organizational Studies*, *Journal of Business and Leadership*, *Academy of Information Management Sciences Journal*, and the *Academy of Information and Sciences Journal*.

J. Preston Jones is an assistant professor of business administration and the executive associate dean at Nova Southeastern University. His current research interests include business turnaround strategies, leadership, and organizational culture. He has published in the *Journal of Applied Management and Entrepreneurship*, *Accounting Net*, and *Journal of Small Business Management*.