
Entrepreneurial Behavior

MANAGERIAL APPROACH

This approach states that new enterprise formation is the result of rational decision making in which expertise is applied. Knowledge and expertise in economics and business administration is of paramount importance. This means that people out there with administration and managerial skills are more likely to start a business. According to Kuratko, entrepreneurship is creating value through recognition of business opportunities, the management of risk taking, communicative and management skills to mobilize resources. The main task of an entrepreneur is a manager of a firm, an input in the production process.

To further explain this entrepreneurial behavioral theory we will look at one of the biggest success stories in the world Warren Buffet, Warren Edward Buffet is an American business investor who serves as chairman and CEO of Berkshire Hathaway. Mr. Buffet is highly regarded in management and many people from all over the world look to him to get advice about management or as they are called management secrets.

First we will look at why Warren Buffet is an entrepreneur, he made his money through the trading of stocks where he would identify an undervalued stock in the stock exchange buy it and sell it for a higher price. His first job was a stock broker and through this he made his first million. Warren Buffet then directly invested in business using the value-investing techniques he had learned while he was in school, he had attended Columbia business school where he had studied securities analysis under Benjamin Graham who is a well known securities analyst. Through the knowledge he had acquired in school he was able to find bargains in the stock exchange market and invest in companies that would grow at a very fast pace.

Trading of stocks is usually speculative in nature and Warren Buffet had to speculate which stocks to trade in and which to avoid, he also used his education to pick the companies to invest in and the companies to avoid investing in. These activities are speculative which means that they involve a risk, therefore that makes him an entrepreneur in all aspects of the word. According to the managerial theory entrepreneurship is creating value through the recognition of business opportunity, the management of risk taking, communicative and management skills to mobilize resources.

The management theory focuses on skills, expertise and technical knowledge, looking at Warren Buffet his knowledge on stock trading in the beginning made him a millionaire by the time he was 31. He then applied the knowledge he learnt in school about investment analysis and was able to invest in a number of companies and get a very significant return on investment.

While he was looking at new opportunities he discovered a textile manufacturing firm called Berkshire and Hathaway and started buying stocks in it and before long he took control of the company. He also made some good investments like American Express which doubled its price within two years of investment. Let us now look at some of the other entrepreneurial strategies

applied by Warren Buffet.

When it comes to investing Warren Buffet is well known for his hands off investment strategy, he is also well known for his light due diligence process which involve an in depth reading of a company's annual reports and then putting his trust in his management to continue to steer the ship in the right direction. When it comes to management Warren buffet says "the primal test for managerial economic performance is the achievement of a high earnings rate on capital employed and not the achievement in consistent gains in earnings per share". He then continues to say that franchises can tolerate mismanagement, incompetent managers may be able to diminish a firms profits but cannot inflict any mortal danger.

Warren Buffet talks about delegating duties to management officers and trusting them to do what is required of them. Warren Buffet leads a 255 billion dollar company with over 331 000 employees from a headquarters with 28 employees, it would not be possible to run his company without delegation in fact even his employees also have to delegate to other employees.

Warren Buffet also speaks on the importance of motivating employees to come up with the right ideas and align the company's goals with the employees. Mr. Buffet also speaks a lot about the importance.